Austria Sch22	Indonesia Rp3100	Portugal Esc100
Bahrain Din0.650	Israel NS3.50	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore .... S$4.10
Canada .... C$1.00	Japan Y600	Spain Pta125
Cyprus .... C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark DKr9.00	Kuwait Fils500	Sweden SKr8.00
Egypt .... E£2.25	Lebanon ... $L300.00	Switzerland. SFr2.20
Finland Fmk7.00	Luxembourg .. LFr48	Taiwan .... NT$85
France FFr6.50	Malaysia Rio4.25	Thailand Bt50
Germany DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr200	Morocco Dh6.00	Turkey L500
Hong Kong .... HK$12	Netherlands... Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr7.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,292 — Thursday July 23 1987 — D 8523 A

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Europe and high technology: back to basics, Page 12

World News

Aquino signs land break-up decree

President Corazon Aquino of the Philippines signed a long-awaited and sensitive decree on land reform to permit the break-up of large estates and enable the country's peasant farmers to become landowners, although it did not detail the timing of the break-up. Page 14

Salvaging the Titanic

A French ship arrived off the coast of Newfoundland to begin salvaging treasures from the Titanic buried on the ocean floor for 75 years. Negotiations were completed yesterday for the 54-day expedition which will cost $2.25m.

S. Korean floods

More than 100 people were feared dead in South Korea after two days of torrential rain caused floods and landslides.

Kurdish attack

Suspected Kurdish guerrillas killed six villagers in two separate attacks in south-eastern Turkey. Kurdish rebels have killed about 500 civilians and soldiers since their insurgency in 1984.

Ugandan round up

A newly formed military police force has begun rounding up off-duty Ugandan soldiers to tighten up discipline and smarten the army's image after accusations of atrocities against civilians.

Britons hurt in Spain

Twenty-five British holidaymakers were injured in north-east Spain when the coach taking them to the Costa Brava skidded off the road in heavy rain and overturned.

Direct Action arrest

West German police arrested a suspected member of the French leftwing terrorist group Direct Action who allegedly took part in several of the group's attacks. The 29-year-old French man was seized on a Munich street.

New York heat

A heat wave broiled the eastern two-thirds of the US yesterday causing record demands for power and at least one death. New York city workers were sent home as temperatures soared to the 90s with high humidity levels.

Zimbabwe emergency

The Zimbabwe Government has asked parliament to extend a 22-year-old state of emergency for another six months to deal with rebel activity in the southern provinces of Matabeleland and Midlands.

Turkey drops charges

A Turkish military court has dropped charges against a Jordanian Embassy employee accused of spying for Syria. Mr Adnan Musa Suleiman Amarin, a translator, had earlier been acquitted of involvement in the 1985 slaying of a Jordanian diplomat in Ankara.

Lebanon alliance

A pro-Syrian front grouping 13 Lebanese Moslem and leftwing factions was launched under the banner of Lebanese-Syrian integration at the economic, social, educational, foreign policy, security and defence levels to co-ordinate joint military operations against Israel.

Soviet prostitution

The Soviet Union has proposed fines of up to 200 roubles ($310) for convicted street walkers, although prostitution does not officially exist. The proposal is widely seen as recognition that prostitution is a major factor in the spread of AIDS, now acknowledged as a problem in the country.

Vietnamese refugees

A rescue ship arrived in the French port of Rouen carrying 228 Vietnamese refugees destined for asylum in five European countries under sponsorship from French and West German humanitarian groups.

Business Summary

Brussels probing planned BA merger

EC COMMISSION is investigating the proposed merger between British Airways and British Caledonian to see whether the link-up would distort free competition in EC air transport. PAGE 14

SEARS ROEBUCK, world's largest retailer which has diversified widely into financial services, reported a 37 per cent rise in net income for the June quarter, with all its main businesses pushing ahead. Page 15

AIR FRANCE, French national airline, plans to open 15 per cent of its capital to the public through a new share issue before the end of this year. Page 16

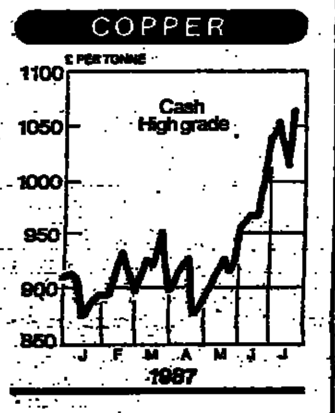
WALL STREET: The Dow Jones industrial average closed up 2.23 at 2,470.18. Page 38

TOKYO: Selling of high-technology and consumer stocks drove prices sharply lower for the fourth consecutive session. The Nikkei average fell 375.62 to 22,702.74. Page 38

LONDON: News of substantially worse UK current account deficit than had been expected sent equities and gilts into a steep fall. The FT-SE 100 index fell 46 to 2,344.5 and the FT Ordinary index was off 39.6 to 1,832.4. Page 38

COPPER'S recent firm tone was reasserted on the London Metal Exchange as the cash price moved ahead to the highest

COPPER



closing price for 22 months, gaining £40.50 at £1,065 a tonne. The three months position closed with a £37 gain at £1,051.50. Commodities Page 26

GOLD rose $2.50 on the London bullion market to close at $454.75. It also rose in Zurich to $455.25 ($452.25). Page 26

DOLLAR closed in New York at DM1.8645, FFr6.1955, SFr1.5455 and Y152.35. It fell in London to DM 1.8630 ($1.8655); to FFr 6.1975 (FFr 6.2025); to SFr 1.5350 (SFr 1.5480); and to Y152.30 (Y152.70). On Bank of England figures the dollar's exchange rate index rose 0.1 to 104.0. Page 27

STERLING fell in London to $1.5945 (1.5960); to DM 2.97 (DM 2.9775); to FFr 9.8825 (FFr 9.90); to SFr 2.4625 (SFr 2.47); and to Y242.75 (Y243.75). The pound's exchange rate index fell 0.3 to 72.6. Sterling closed in New York at $1.597. Page 27

BENETTON, leading Italian clothing group, has been blocked by the Bank of Italy from acquiring control of Credito Milanese, medium-sized Milan bank. Page 16

MARZOTTO, publicly quoted Italian textile and clothing company based in northeastern Italy, is to pay L 168bn ($125m) to acquire from the ENI state holding group its Lanerossi textile subsidiary. Page 16

UNION PACIFIC, major US transportation and resources group, lifted second-quarter operating net earnings from $110.1m or 95 cents a share to $143.3m or $1.25, and said it should achieve a strong earnings gain for all 1987. Page 15

PEPSICO'S second quarter net income rose 57 per cent to $189m, or 72 cents a share, on a 37 per cent rise in revenues to $2.8bn, special gains and the benefit of acquisitions. Page 15

CLARENDON GROUP, closely held Bermuda-based insurer, has offered more than $800m for the Argonaut Group, Los Angeles casualty insurer spun off last year by Teledyne, West Coast conglomerate. Page 15

Sri Lanka proposes homeland for Tamils

BY MERVYN DE SILVA IN COLOMBO

PRESIDENT JUNIUS JAYAWARDENE of Sri Lanka has proposed the merger of the island's eastern and northern provinces into a semi-autonomous Tamil homeland in a secret memorandum to Mr Rajiv Gandhi, Prime Minister of India.

This is the most significant move so far to try to end the ethnic crisis in Sri Lanka. However it has been put together in the absence of the Sri Lankan Prime Minister, Mr Ranasinghe Premadasa, who is currently in Japan and has been one of the most vociferous critics of both merging the two provinces and of negotiating with India on a matter which he considers to be domestic. The Cabinet is split in two over the proposals.

Mr J.N. Dixit, the influential Indian High Commissioner in Colombo, returns to the island today with Mr Gandhi's response to the 14-point memorandum from President Jayawardene. An Indian diplomat has also held a secret meeting this week in the northern peninsular of Jaffna with the commander-in-chief of the Tamil Tigers, the guerrilla army fighting for an independent homeland for Sri Lanka's minority Tamil population.

The Sri Lanka proposals go further than any previous solution towards meeting Tamil demands, largely supported by India.

The secret memorandum proposes:

- all parties agree to preserve the territorial integrity of Sri Lanka and its unitary constitution
- the Government recognises the multi-ethnic character of Sri Lanka, the distinctive cultural identity of the Tamil people and their rights in "their historic areas of habitation" - the closest any government has come to meeting Tamil demands for a "traditional homeland" in the north and east provinces.
- elections before the end of this year for nine provincial councils, each having its own governor, chief minister and board of ministers. Most significantly, the north and east will be combined to count as one province.
- a referendum in the east within 12 months to allow the population - one-third Tamil, one-third Sinhalese, one-third Muslim - to decide whether they want to remain merged with the north.
- the army will be confined to barracks and the Tamil rebel groups will lay down their arms.
- India will patrol the narrow Palk Straits between Sri Lanka and India to stop any influx of arms or armed rebels from Tamil Nadu in southern India, home of 50m Tamils.
- India to deport any Sri Lankan engaged in terroritst activities.
- the 125,000 Sri Lankan refugees in India will return to the island and Sri Lanka will confer citizenship on 100,000 Indian tea planters now classified as stateless

These proposals face a tough passage in Sri Lanka, mainly because the majority Sinhalese population and the opposition leader and former prime Minister, Mrs Sirima Bandaranaike, feel they give too much to the Tamils.

But all the Tamil leaders, including those of the Tamil United Liberation Front, the main Tamil Parlimentary party exiled in Madras, have responded positively. A Tulf spokesman said the offer to merge the east and north was "a concession of fundamentals and therefore a major breakthrough."

The proposals come after four years of insurgency which has claimed more than 6,000 lives as the Tamil guerrillas waged a violent campaign and took complete control of the Jaffna peninsula. The crisis worsened last month when the army launched an offensive against Jaffna and India intervened by dropping relief supplies to the area

The key sticking point in the dispute has always been the Tamil leaders' claim to the eastern as well as the northern province. The Tamils comprise only a third of the population of the eastern province, and although they have lived there for a long time, their traditional areas of habitation do not generally extend more than about six kilometres inland from the coast.

Thomson of France to buy RCA division from GE

By Paul Betts in Paris

THOMSON, the French nationalised electronics group, is buying the RCA consumer electronics brown goods business from General Electric of the US as part of its continuing strategy to become a world leader in electronic brown goods.

The transaction, disclosed last night will also see General Electric take control of Thomson's medical equipment subsidiary, CGR.

The acquisition of the consumer electronics business will virtually double Thomson's annual consumer electronics turnover from Ffr 20bn to Ffr 40bn ($3.2bn - $6.4bn). The move follows Thomson's acquisition last month of Thorn-EMI's Ferguson electronic brown goods business.

The two groups declined to disclose the value of the major transaction which is due to be finalised before the end of this year. However, Thomson is expected to have to pay General Electric a substantial sum since the RCA businesses it is taking over are far larger than the CGR medical equipment business Thomson is selling to General Electric.

GE acquired the RCA businesses in 1985 when it took over the RCA conglomerate. GE will also retain a 19.9 per cent stake in the RCA brown goods business including televisions and video cassette recorders which it is selling to Thomson. At the same time, Thomson will also be retaining a similar 19.9 per cent stake in CGR.

The consumer electronic businesses Thomson is buying from RCA currently have annual sales of about Ffr 20bn while CGR which GE is taking over has annual sales of about Ffr 4.8bn.

The deal will give Thomson major access of the US TV and video cassette recorder market and turn it into one of the world's three largest companies in this sector along with Philips and Matsuchita. The GE-RCA consumer electronics businesses have a share of about 22 per cent of the US TV and video cassette recorder market.

The operation reflects the current effort of Mr Alain Gomez, the Thomson chairman, to give Thomson's consumer businesses the critical size to become a world leader in the highly competitive field of electroinic brown goods. Thomson's consumer electroinic consumer businesses have recently staged a strong financial recovery reporting profits of Ffr 809m last year compared with Ffr 358m the year before.

Gorbachev offers to remove nuclear warheads from Asia

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN LONDON

SOVIET leader Mikhail Gorbachev yesterday appeared to remove one of the last remaining obstacles to a US-Soviet agreement on the elimination of medium-range nuclear missiles by offering to take away all warheads in this category from Soviet Asia as well as from Europe.

In an interview with an Indonesian newspaper editor, Mr Gorbachev indicated that he was prepared to drop the previous Soviet condition that both superpowers should be allowed to keep 100 warheads on their own soil as part of an agreement to eliminate all intermediate nuclear forces (INF) from Europe. Under the so-called "zero option," endorsed by both the Soviet Union and the US, and backed by Washington's Nato allies, all nuclear missiles with a range between 500 and 5,000km would be removed from Europe.

The Soviet leader has now agreed to globalise this agreement, in response not only to demands by the US and Nato, but by Japan and other Asian countries which considered the retention of 100 warheads in Soviet Asia as a threat to their security.

"In an effort to accommodate the Asian countries...the Soviet Union is prepared to agree to eliminate all of its medium-range missiles in the Asian part of the country as well. In other words, we will proceed from the concept of a "global double zero," Mr Gorbachev said in the interview.

Mikhail Gorbachev

The Soviet leader's statement, which was announced on Moscow television as well as by the Soviet news agency Tass, was couched in particularly conciliatory terms. He said the offer would not be linked, as it has been up to now, with the withdrawal by the US of seaborne nuclear weapons from South Korea, the Philippines and the Indian Ocean base of Diego Garcia. Mr Gorbachev expressed the hope, however, that the US nuclear presence "will at least not grow."

The US and Soviet arms negotiators will meet this afternoon in Geneva in a special plenary session requested by the Soviet delegation, probably to discuss the new Soviet proposals.

Though representing a big step forward in the efforts by the superpowers to achieve an INF agreement by the autumn, Mr Gorbachev's latest offer does not by any means remove all the obstacles to a deal.

One of the main remaining disagreements between the two sides is over the treatment to be accorded to the 72 Pershing 1A missiles with a range of 720km, based on West German soil, which the US wants to exclude from an INF agreement, but which Moscow has so far insisted must be included.

Washington, with the support of its Nato allies, has always argued that these missiles do not fall within the ambit of a superpower deal because they are the property of the West Germany Government, though their warheads are under US control.

Nor is it entirely clear how much progress has been made in the Geneva arms negotiations on mutually acceptable verification procedures, to which the US has always attached exceptional importance. What is certain, however, is that Mr Gorbachev's "global double zero" offer will make it considerably easier to find a solution to this issue. It was the continued existence of 100 warheads in Soviet Asia which presented the negotiators with a particularly difficult verification problem.

UK defence budget, page 8

US Gulf convoy sails safely towards Kuwait

BY ANDREW WHITLEY IN KUWAIT

The US naval convoy protecting two former Kuwaiti tankers from attack by Iran, was deep inside the Gulf last night, having passed without challenge through the narrow Strait of Hormuz, not far from the Iranian coast.

At their present speed of a steady 15 miles an hour the two reregistered vessels - the Bridgeton and the Gas Prince - could arrive in Kuwait tonight.

After loading, they will immediately begin the more hazardous return run to the open sea.

The escort operation formally began at about 8am when the enormous Bridgeton, one of a dying breed of supertankers, moved from its moorings off the rocky coast of Fujeirah and headed slowly towards the Strait. The smaller Gas Prince followed in its wake.

After a foggy dawn, the temperature rose rapidly towards 120 degrees. This is the hottest time of year in the Gulf, and even those with the longest memories are saying it has been an exceptionally testing summer.

Forming up with two US guided missile frigates ahead and two astern, riding shotgun, the convoy rounded Oman's barren Musandam Peninsula about midday. Staying in the normal shipping channel in Omani waters, shipping sources in the lower Gulf said the passage was uneventful.

Unlike the two previous days, when Iranian warships called up by radio over a dozen merchant vessels in the Strait, there was an uncharacteristic silence yesterday as the six-ship convoy overcame its first hurdle.

"They seem to be keeping their heads down today," an experienced observer commented.

Initially, there was uncertainty over the convoy's intended route once it entered the Gulf. First reports said it was sailing defiantly along the shortest, middle route, offering itself as a tempting target to the Iranian forces at the nearby major air and naval base of Bandar Abbas.

But later it became clear that the tankers and their escorts had swung southwards, to hug the United Arab Emirates coast.

France and Iran near accord, Page 2; Background, Page 3

US warns Europe to expect action over Airbus subsidies

By William Dullforce in Geneva

US OFFICIALS have warned the European Community to expect quick retaliatory trade action against exports of Airbus airliners to the US if no progress is made in talks in Geneva this week over government subsidies to Airbus Industrie.

EC officials acknowledged yesterday that the quarrel had entered a phase of "decisive acceleration."

The talks centre on a meeting today of the civil aircraft committee of the General Agreement on Tariffs and Trade (Gatt). The two sides met informally yesterday, however, and are expected to continue bilateral meetings tomorrow. US officials said that by then they would expect results.

Mr Clayton Yeutter, the US Trade Representative, warned recently that US patience was running out, and Mr Bruce Smart, the Under-Secretary for Commerce, told Congress that Airbus funding had become the "major industrial trade issue with Europe."

US officials have warned their European counterparts in the talks that lawyers for Boeing and other US aircraft manufacturers are ready to submit complaints to the International Trade Commission in Washington, seeking the imposition of countervailing duties and other protective action.

Gatt's civil aircraft committee has been examining a US complaint since last March that financing granted to Airbus Industrie by the French, West German and British governments contravenes two articles of Gatt's agreement on trade in civil aircraft.

So far the committee has failed to clarify the articles, and direct US-EC consultations have left what Mr Smart called "a sharp difference of views."

The US claims that in 1986 the four-nation Airbus consortium won 45 per cent of the orders for new wide-bodied aircraft placed by US airlines by selling at prices far below real costs.

European governments' "unrepayable" loans for developing Airbus aircraft are threatening the profitability of US aircraft manufacturers, Washington believes.

The situation has sharpened considerably since the US tabled its complaint to the Gatt. The French, West German and British governments have committed themselves to providing about $2.5bn in launch aid for Airbus's new generation A330 and A340.

A trade policy review committee under the US Department of Commerce is analysing European government support, the pricing of Airbus airliners and their effect on the US industry. The study is to be completed by the end of this month.

The EC partners claim that US manufacturers are heavily subsidised by military contracts. It would also contravene the meaning of Gatt, they argue, to allow US companies a virtual monopoly of the civil aircraft business.

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President Estenssoro's experiment in neo-liberal economics has been traumatic. Page14

EUROPEAN NEWS

Britain expected to oppose EC steel output levies

BY WILLIAM DAWKINS IN BRUSSELS

BRITAIN IS likely to fight an ambitious plan launched by the European Commission yesterday to force the EC's most successful steelmakers pay production levies.

The levies would form an important part of a complex package adopted by a full meeting of the Commission to encourage Community steelmakers to close down their estimated 30m tonnes of overcapacity in exchange for the continued protection of output controls.

Production levies would contribute Ecu 600m (£414m) to a package which could be worth nearly Ecu 1.5bn. That compares with the total rough Commission estimate of Ecu 5bn-Ecu 6bn which it would cost governments, the EC and the companies themselves to trim steel production in line with demand.

Mr Kenneth Clarke, the UK Industry Minister, is likely to take a tough stance against the package when his EC counterparts meet to debate the steel industry's future in September. UK officials do not see why a profitable British Steel should help finance closures in member states that have been slower than itself to restructure. However, the levy only needs the support of a qualified majority of member states. Other big EC steelmakers, like France and West Germany, were yesterday taking a far less critical line.

Mr Karl Heinz Narjes the Commissioner responsible for the scheme, warned yesterday that the closures now needed would create far more serious local social problems than was the case with the 32m tonnes of closures made since 1980.

The Commission is planning to keep quotas in place for the three years ending in 1990 for hot rolled coil. cold rolled sheet, heavy plate an dheavy sections — products representing about half of EC steel output and where over-capacity is heaviest. At present, around 60 per cent of production is controlled by quotas, which had been due to run out at the end of the year. Yesterday's proposals would scrap output controls at the end of the year for wire rods and merchant bars, the only other products still subject to quotas.

This is good news for most of the steel industry, which has long argued that demand is still too weak for it to tolerate a free market. However, the Commission will only agree to prolong quotas if it obtains by the end of November a promise from the industry to make "a good portion" of the closures needed. "Quotas should not be seen as creating a cartel to cushion the industry without restructuring," Mr Narjes warned yesterday.

The scheme also envisages an Ecu 20 per tonne (the final figure is to be decided after consultations with the industry) levy on output of products subject to quota on any production that exceeds 70 per cent of plant capacity. That works out at 1.5 per cent of current steel prices and could bring in Ecu 600m over the next three years.

Under the scheme, 30 per cent of the production levy would contribute to the social costs of restructuring, while the rest would go as a closure incentive—of possibly Ecu 100 per tonne of capacity shut down.

Commission officials stress that the so-called closure premium would only go to companies that subsequently sell their quotas to competitors, rather than transfer closed production elsewhere within their companies. They say there would be no question—as the British fear—of efficient companies paying to help the less efficient complete internal restructuring. Any unused levies would be repaid at the end of the three years. The remainder of the aid—roughly Ecu 870m—would come from EC social and steel funds.

Also announced yesterday was an Ecu 390m fund for job creation and infrastructure in steel closure areas. On top of this Mr Narjes is hoping to persuade member states to transfer up to Ecu 100m for the steel scheme from the EC's general budget, a repeat of a request which member states have already refused.

As a further encouragement to closures, the Commission is considering increasing the prices at which quotas can be sold above the Ecu 270 per tonne of hot rolled coil capacity proposed by Eurofer, the group of major integrated steelmakers.

COMMISSION APPROVES EIGHT RESEARCH PROJECTS

JOINT EC research projects costing a total of Ecu 4.5bn (£3.13bn) were yesterday adopted by the European Commission, writes William Dawkins in Brussels.

The eight projects involved form the main part of the EC's overall research framework programme, held up until last week by a long-running dispute over funding. The outline accord on the framework programme is expected to be adopted formally today at a meeting of budget ministers. The individual proposals were adopted yesterday by a full meeting of the Commission in an attempt to catch up after the seven month delay in agreeing the overall scheme, which will cost Ecu 5.2bn over the next five years.

The complete scheme needs unanimous support but was held up by Britain, which considered the Commission's original Ecu 7.7bn proposal excessive. However, its constituent parts only need majority support and are expected to be cleared by member states at the next research ministers' meeting in September.

They include the Ecu 1.6bn second phase of the Esprit information technology project, and an Ecu 911m allocation into the Jet thermonuclear fusion scheme. Also proposed yesterday were Ecu 20m for the Delta technology training project, Ecu 60m for Drive, a road safety research scheme, Ecu 20m for Aim, a medical information project, Ecu 60m for the Brite industrial technology investigation, Ecu 10m for nuclear safety and Ecu 30m to encourage co-operation between EC research workers.

Spain's Socialists see their grip on power loosened

BY DAVID WHITE IN MADRID

THE PIECES of Spain's new political map have by now almost fallen into place, six weeks after regional and local elections cut away part of the power base of the country's ruling Socialist Party (PSOE).

The picture shows a swathe of territory to the north of Madrid where the Socialists have been ousted from regional governments. But elsewhere, apart from the Canary Islands, Socialists who risked being toppled from regional presidencies have managed to hold on, and in most of the main town halls Socialist mayors are back, albeit in a more precarious position. These include the cities of Madrid, Barcelona, Valencia, Seville and Saragossa, none of which gave the PSOE an absolute majority on June 10.

The changes are therefore less drastic than the ballot results themselves. The reason is that the Socialists and Communists have been more willing to join forces than the rival right-of-centre parties. The slow process of forming new regional governments and town councils has embittered relations between the main right-wing opposition, Popular Alliance (AP), and the centrist CDS of former Prime Minister Adolfo Suarez, which has established its place as Spain's third political force.

Particularly galled by the centre-right's failure to seize its opportunity in Madrid, AP accuses Mr Suarez's party of undertaking "tacit agreements" with the Socialists.

The upshot is that, although the elections produced the biggest setback for the PSOE since it came to power in 1982, an alternative party coalition has come no closer into view.

New parliaments were elected in 13 of Spain's 17 regions. Most of the governments have now been formed, with the opposition keeping the regions it held before—Cantabria and the Balearic Islands—and the Socialists losing four of the others. One, Navarre, is still in doubt.

The conservatives of AP have taken over the governments in Castile-Leon—the heartland of traditional Catholic Spain—and in Rioja. The presidency of Aragon has gone to Mr Hipolito Gomez de las Roces, leader of a spectacularly successful regionalist party, under a pact with AP. In the Canaries, Mr Suarez's party has obtained the presidency for its candidate, Mr Fernando Fernandez, in league with AP and regionalists.

In the traditional left-wing regions of Madrid, Valencia and Asturias, the PSOE has stayed in place with support or abstention from the Communists. The three other regions — Castile-La Mancha, Murcia and Extremadura—were the only ones where the PSOE kept an outright majority.

At municipal level, a Socialist-Communist pact to support each other where either party obtained the most votes has enabled the PSOE to increase its number of mayors from the previous 2,600, including most main towns. In Barcelona the two parties have reached a policy agreement.

The main Socialist town halls to fall were Salamanca, Toledo (both to AP), Segovia, Las Palmas (both to the CDS) and Pamplona (to the regional centre-right party, Navarre People's Union). But the most commented-on was Reinosa, the small industrial town in Cantabria which has become a black-spot of labour violence, where a Conservative has now taken over as mayor.

France and Iran near agreement on representation

BY PAUL BETTS IN PARIS

THE FRENCH Foreign Ministry confirmed yesterday that France and Iran were close to agreement that Italy will represent France's interests in Tehran and Pakistan those of Iran in Paris following the severing of diplomatic ties between the two countries last week.

Officials suggested this was an important first step in what is likely to be a long and laborious negotiation on resolving the crisis which has both countries blockading each other's embassy.

The Foreign Ministry in Paris said yesterday that agreement on representation would enable "concrete discussions" to begin to try to secure the release of the besieged diplomats. However, the prospect for progress in these negotiations continue to look extremely slim.

Reports in Paris that the French magistrate investigating last autumn's wave of terrorist bombings in the French capital had built up a strong dossier on Iran's links with last September's events have made a solution even more difficult.

The crisis was sparked off by the refusal of Mr Walid Gordji, the Iranian interpreter believed by the French to be the second in command at the Iranian embassy, to appear before the magistrate investigating the September bombings. The French Government has made clear that there is no question of Mr Gordji, who does not have diplomatic immunity, of not answering the magistrate's questions. But Iran again insisted yesterday that all members of its embassy must be allowed to leave France before the French envoys in Iran may depart.

Further indications of Iran's possible links in last year's Paris bombings came yesterday when French security forces detained five Lebanese citizens as part of the investigation. One had worked for several months in the Iranian embassy

The situation is turning into a serious political test for Mr Jacques Chirac's Government. However, all the main French parties have so far closed ranks behind the Government.

Although the French government had originally hoped to secure the return of its envoys in Iran by yesterday, five days after the embassy blockades began, French officials said yesterday that there had never been any question of a "five day deadline."

Request to Swiss likely over Bofors

Sweden may ask Switzerland to lift its strict banking secrecy laws to allow investigators to probe charges that the Swedish armsmaker Bofors bribed Indian officials to win an order. the Foreign Ministry said yesterday, Reuter reports from Stockholm.

A ministry spokesman said that if the chief prosecutor—conducting the investigation into alleged payoffs—decided that Bofore had a case to answer and required information on bank accounts set up in Switzerlad, it would pass on the request.

Bofore has been under investigation by an independent Swedish commission after allegations that the company paid senior Indian officials up to $40m in bribes while negotiating a large weapons deal.

Swedish radio alleged that Bofore paid the bribes into secret Swiss bank accounts for the benefit of Indian middlemen who helped to land the company a $1.13bn order for a field artillery system.

The Swiss ambassador to Stockholm, Mr Daniel Woker, said in an interview last night that his country would not block a request from the Swedish authorities for information on the accounts.

Glasnost widens film horizons

By Judy Dempsey in Vienna

THE SOVIET film industry is undergoing complete reconstruction, and the role of Goskino, the ideological and financial guardian of the country's film directors, will be substantially reduced, according to Mr Tengiz Abuladse, one of the Soviet Union's leading directors.

Mr Abuladse, a softly spoken 63-year-old Georgian, was speaking to journalists in Vienna, where his internationally-acclaimed film "Repentence" was being shown at the Soviet embassy. The film confronts the Stalinist period, but Mr Abuladse denies it is directly related to Stalin himself.

"Repentence" is the last of a trilogy of films first begun by Mr Abuladse 20 years ago when the working and creative conditions for Soviet directors lacked the spirit of Mr Mikhail Gorbachev's *glasnost* (openness). The 30 Soviet film studios had to send their scripts to Goskino which decided which films reached the screens.

Mr Abuladse, however, seems to have enjoyed considerable freedom in making his films, and he hinted that this was due to Mr Eduard Shevardnadze, the Soviet Foreign Minister, a fellow Georgian and party secretary in Georgia in the 1970s and early 1980s, who encouraged him in his work.

He now thinks the younger generation of Soviet film makers will have more opportunities to put their ideas on the screen. Films and scripts "will no longer have to be necessarily sent to Goskino," Mr Abuladse said. Film studios will be able to decide on scripts and Goskino will play more of a co-ordinating role.

Nor will Goskino continue to finance the studios. That will be up to the regional studios themselves which will be responsible for their own accounting and finances. "If you make a bad film, there'll be no profit and a film studio could go bankrupt. The reforms are designed to encourage gifted people and get rid of the dead word," Mr Abuladse said.

Kadar warns of more austerity

By Leslie Colitt in Budapest

HUNGARY'S LEADER, Mr Janos Kadar, has prepared the population for further austerity measures in the wake of sweeping consumer price rises, which came into effect this week.

In a speech to workers in a Budapest factory, Mr Kadar said Hungary could no longer "wait for a miracle" to reverse the country's economic decline. It was "not permissible" for Hungarians to "over-fulfil" the consumption plans while not fulfilling the production plan.

The stiff price increases on bread, electricity, household fuels and petrol were "not pleasant" but necessary he said. Hungarians, he complained, had too long enjoyed a standard of living which surpassed their output.

Mr Kadar announced that a somewhat "more difficult stage" would follow, but there was "no other road." Under an economic stabilisation programme adopted by the Communist Party earlier this month, a price reform is to reduce subsidies both to consumers and to inefficient producers.

"Regroupments" of labour would be necessary, he said, although the right to work would continue to be guaranteed. Some party and government officials have spoken of the inevitability of "temporary unemployment."

A basic problem, he complained, was that "our system is characterised by the fact that it supports everyone."

He said the recent party and government reshuffle of senior officials was not the end of the process. A new Prime Minister, Mr Karoly Grosz, was chosen, along with a new party official responsible for economic policy, Mr Miklos Nemeth. He said those officials who understood the new economic reforms and were ready to implement them should continue in their posts. "Those who do not should be replaced."

Waterford retrenches further

BY HUGH CARNEGY IN DUBLIN

WATERFORD GLASS, the prestige Irish crystal maker which last month announced plans to cut its 3,000-strong workforce by a quarter, said yesterday it would introduce short-time working for all employees in mid-September. The move follows a serious slump in sales in Ireland and Britain which together account for 32 per cent of the company's market.

Waterford, which last year took over the British fine china group Wedgwood, wants to reduce its crystal workforce by 750 in order to reduce production costs and revise work practices. At the same time, it intends investing I£18m (£16m) in equipment and marketing.

The company has agreed to postpone announcement of its voluntary redundancy terms pending the results of an independent study of its position commissioned by the trade unions. But the need for short-time working was a separate issue and would be introduced regardless of the outcome of the redundancy issue.

The problems at Waterford, one of Ireland's top companies, stem largely from its exposure to the US dollar. The US is its biggest market and sales in Ireland and Britain rely heavily on sales to US tourists. The effects of a sharp decline in the number of US visitors to Europe last year have fed through to hit orders from retailers, and the weaker dollar has curbed the buying power of those still coming, according to analysts.

Elaborate hedging policies have helped cushion Waterford from dollar fluctuations but the benefits of these are due to run out next year. In addition, strong emphasis on labour-intense hand-crafting and rigid work practices have put the company's wage costs some 20 per cent higher than those of many of its European competitors.

Lisbon's aims for state sector

BY DIANA SMITH IN LISBON

THE Social Democrat (PSD) Government of Mr Anibal Cavaco Silva, which won an overall majority in last Sunday's Portuguese election, has lost on time giving a preview of what it hopes to do once it is sworn in next month.

Following a brief cabinet meeting two days after the election, the Government indicated it would give high priority to altering the capital structures of public sector companies. It suggested that it would be seeking to offer capital in state enterprises not only to their employees, who would receive dividends, but also to the general public.

This would have the dual effect of reducing the burden on the state and of bringing larger amounts of paper to a stock market that is suffering from an excess of demand over supply.

Now that the PSD has more than half the seats in Parliament, efforts to prune the excess fat from the public sector are likely to be more successful than in the past 18 months when the left-wing opposition in Parliament blocked several streamlining initiatives.

The locks were raised on the argument that the 1976 Constitution upholds the irreversibility of nationalisation of private enterprise and collectivisation of land in the aftermath of the 1974 revolution—and that any attempt now to alter public sector structures is unconstitutional.

The Constitution is due for its periodic review later this year. The Socialists—runners-up in Sunday's election—have publicly admitted their willingness to negotiate alterations that reduce the ideological content, and that makes it possible to alter public sector structures. Socialist spokesmen even recognise that selective privatisation is a possibility.

● The European Investment Bank has Ecu 400m (£280m) available for Portugal this year—double the 1986 figure. The Bank, which now has a Lisbon office, has been active both before and after Portugal's EC accession, helping to finance large infrastructure projects like new highways, and is now moving into private sector projects in tourism and services. Meanwhile, the European Commission has approved Portugal's third Regional Development Fund tranche for 1987, totalling about Ecu 90m, and covering seven road projects and a power station on Madeira.

Carrington says progress made in Nato discussions

NATO'S Secretary-General, Lord Carrington, said yesterday that negotiations on bringing Spain into the alliance were progressing well but denied any link with stalled talks between Madrid and Washington on the US military presence in Spain, *Reuter reports from Madrid.*

Lord Carrington, on a two-day official visit to Spain, said after meeting Mr Francisco Fernandez Ordonez, the Spanish Foreign Minister: "We are having talks on how Spain fits into Nato without being part of the military command structure."

Spain voted in a referendum last year to remain in the alliance, but rejected full entry into the military command. Since then it has held two formal rounds of talks with Nato aimed at defining its precise role.

"Things have to be decided and I would say the talks are going rather well," Lord Carrington said in a brief news conference. He did not elaborate.

Asked if negotiations between Spain and the United States on the future of the US military presence in Spain could affect the Nato talks, he replied: "This is not a matter for Nato nor a matter I have discussed. It is a bilateral business between Spain and the US."

Austria looks for traffic solution

By Judy Dempsey in Vienna

AUSTRIA'S Economics Minister, Dr Robert Graf, will meet Mr Willi De Clercq, the EC External Trade Commissioner, in Brussels today in the hope of strengthening the country's ties with the Community as well as raising yet again the thorny question of transit traffic passing through Austria.

This traffic is a serious problem, especially during the summer season. The area around Wipptal, south of Innsbruck near the Brenner Pass and at Villach on the Austrian-Italian border, is a particular nightmare for residents and drivers alike.

Besides the pollution—road transit through Austria has increased from 10m to 18m tonnes a year, with 80 per cent of the trucks belonging to EC countries—there are serious delays at certain border points. Vienna argues that finding a solution is not solely Austria's problem.

John Wyles talks to an Italian public servant who made a marked impact in the interim government

Sarcinelli relishes his brief return to the limelight

MR MARIO SARCINELLI did not need more than a moment at the end of April to decide whether he would swap the powerful anonymity of his job as director-general at the Italian Treasury for the more restricted and glaringly public role of Minister for Foreign Trade.

It is, he admits, "difficult for a public servant to say 'no' when called upon to perform a public duty." But there were other more personal reasons for joining the apolitical caretaker government hastily put together by Mr Amintore Fanfani when it was clear that Italy was heading for a general election.

"My personal history makes it quite clear that to be appointed a minister meant that people surely recognised that what happened to me in 1979 was a disgraceful accident."

What happened in 1979 was that Mr Sarcinelli, then deputy director of the Bank of Italy, was imprisoned for a fortnight by Rome magistrates on trumped up charges which bore the hallmark of political retaliation. His work as head of the central bank's monitoring and scrutiny department had carried him too deeply for the comfort of some into the affairs of Banco Ambrosiano, pushed three years later into bankruptcy by the fraudulent activities of its president, Roberto Calvi.

All of which seemed to belong to a different Italy as Mr Sarcinelli unexpectedly referred to the past during a conversation in a nondescript office in an equally forgettable ministry building exiled to the Roman satellite town of Eur.

With the election out of the way and Government-forming well advanced—the Christian Democrat Prime Minister-designate, Mr Giovanni Goria, is expected to announce the formation of a coalition within the next few days—three months were clearly long enough as a "technical" minister and he looked forward to returning to his old job at the Treasury before the end of the summer.

But he has made rather more impact than almost any other member of Mr Fanfani's temporary government. In a sense, the hour found the man because decisions had to be taken in May and June on further steps in the dismantling of Italian exchange controls. Mr Sarcinelli was deeply familiar with the issues not only because he was the top Treasury official but also because he had previously run the Bank of Italy's international monetary affairs department.

With an Italian derogation from a European Community directive due to expire on December 19, Mr Sarcinelli decided that May 13 was the time to bring the country into line by allowing Italians to purchase foreign securities without having to lodge a non-interest bearing deposit with the Bank of Italy.

It was an important signal to the national and international financial community that the process of modernising Italian finance would not be delayed even by political uncertainty. Mr Sarcinelli believes that the move was in no way responsible for an unexpectedly bad set of balance of payments figures for May. Even if the current account continues to disappoint, there should be no returning to a system of direct controls except in very exceptional circumstances.

He was able to enshrine this latter conviction in a set of executive orders issued towards the end of last month which will apply as Italy moves towards the completely free movement of capital. Although these still allow the authorities rather more scope to re-impose direct controls than the most liberal Italian economists would wish, the Sarcinelli orders limit possible government actions more severely than draft proposals published earlier in the year by his Socialist predecessor, Mr Rino Formica.

However, the Sarcinelli orders tie the introduction of a completely free foreign exchange regime to the completion—due in 1992—of the European Community's internal market. "Italians must be convinced that they can either become Europeans or shall we say, patchy Italians." If they cherish exchange controls, "then they cannot be full Europeans," he explains, confident that the Italians are second to none in their desire to be full Europeans.

Like most other Italians in positions of responsibility, Mr Sarcinelli seems to take seriously the possibility that the Community will actually achieve its 1992 objectives. Or rather, he believes that Italy cannot afford to gamble on failure and that the new legislature will have a major task on its hands to pass the necessary financial, industrial and economic legislation without which Italy will be unprepared for the so-called internal market.

He does not share the general alarm of some economists and businessmen that Italy is losing its competitiveness in international trade. "I think people are more concerned about the competition coming from Japan. They see that the shutting of the US market to Japanese goods might entail to some extent a swamping of the European market by the Japanese.

"In the field of machine tools there is a fear that Japanese competition in a couple of years might be quite damaging to us. Our producers say the productive capacity installed in Japan in the two or three basic machines is such as to satisfy all world demand. If they attack as they did in the past as regards motor-cycles and cars, they fear that it could be quite destructive not only for Italian industry but also the West German, British and French."

Contemplating his return to the Treasury, Mr Sarcinelli is not tempted to swap the backstairs influence of a civil servant for the trappings of political power. "A civil servant who has a good minister who listens to him is in the best position because he does not have the responsibility for what is or is not decided," he says. "I don't think that the position of Minister is more gratifying."

'Men and matters'

To celebrate the 50th anniversary of Men and Matters we are offering readers a free booklet containing selected cartoons and humorous tailpieces that have appeared in these columns during the past years.

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FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R. A. F. McClean, G. T. S. Damer, M. C. Gorman, D. E. P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: D. Albino, Frankfurt/Main, Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd, 1987.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

THE GULF CONFLICT

US armada puts its faith in vast firepower

BY ANDREW WHITLEY IN KUWAIT

PLOUGHING steadily up the Gulf yesterday in the sweltering 120F degree heat of midsummer, nerves stretched for any sign of a buzzing speedboat which just might be packed with explosives, the crews of the six-ship American convoy—two re-flagged Kuwaiti tankers and four warships—can be in no doubt about the significance of their mission.

After the crippling of the Stark in May by an Iraqi missile and the debacle in the Iranian desert of the US hostage rescue mission in 1980, another military humiliation would be catastrophic for American prestige and diplomatic clout. The Soviet Union is making steady inroads in what, until the 1979 Iranian revolution, was effectively a Western lake, and any further US setback would undoubtedly accelerate this process.

To ensure that nothing gets through the protective cordon around the two tankers, the Pentagon has mounted one of its most ambitious military efforts since the end of the Vietnam War.

With 15 warships headed by the aircraft carrier Constellation already in place, either just outside the Straits of Hormuz in the Arabian Sea or cruising within the Gulf from their Bahrain station, the firepower which can be mounted to meet any conventional threat is overwhelming.

Against this mighty armada, Iran possesses four modern British-built frigates, its recently acquired Swedish motor launches and another 10 French missile boats.

The challenge to the US, if and when it comes, is most likely to be in the shape of the more ideologically committed Revolutionary Guards naval corps, operating in small fast boats from islands in the Gulf, than it is from Iran's conventional navy. Packing shoulder-fired missiles, rocket-propelled grenades and even machine guns, these are the gnats which have been tormenting Gulf shipping in recent months: a considerable menace, but not usually lethal.

In the early days of the "tanker war," in 1984 and 1985, Iranian F-4 Phantoms and missile-firing helicopters were the Ayatollah's favoured weapon against the lumbering, vulnerable oil tankers. But beginning about nine months ago shipping salvage men say it is the Revolutionary Guards who have taken up the fight at sea.

The much-publicised latest weapon in the Iranian armoury, the Chinese Silkworm surface-to-ship missile, carries a lethal punch. But military experts here say its Russian-based radar guidance system is old-fashioned and not particularly accurate. Certainly the jamming measures employed by the EA-6B electronic warfare aircraft deployed from the Constellation ought to be a more-than-adequate counter.

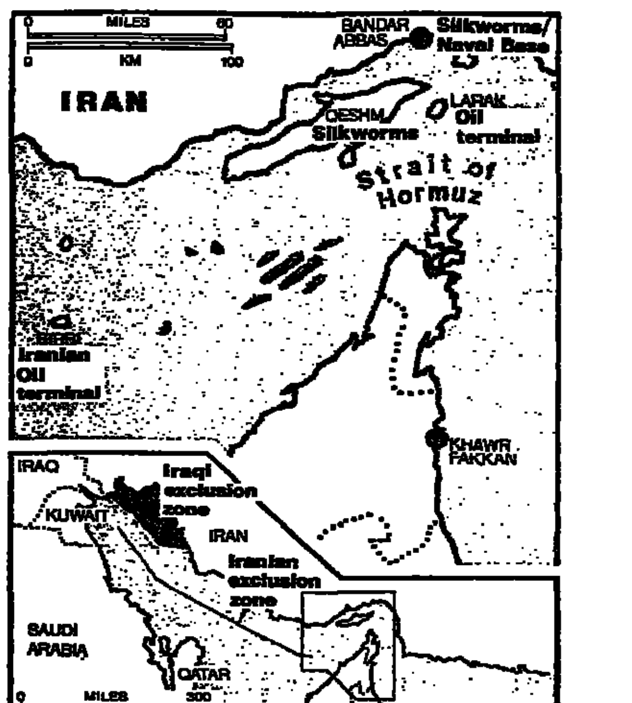
Silkworms are understood to have been placed on several strategically placed Iranian islands at the lower end of the Gulf, such as Qeshm and the two tiny Tumbs. But according to Western intelligence sources, as of yesterday their give-away radar systems had not been switched on, indicating that they were not ready for firing.

Both Bahrain and Kuwait have made it clear that no land-base facilities can be provided to the US aircraft. So the F-14 Tomcats and A-6s providing air cover for the shuttling US convoys are, at present, probably restricted to the lower half of the Gulf, within flying range of the Constellation.

The worrying fact, however, is that all recent Iranian attacks on shipping have been at the northern end of the Gulf, nearer to Kuwait. The last hit in the lower Gulf was over 11 weeks ago, when a Panamanian-registered tanker was attacked by a motor launch.

Western diplomats say the most risky stretch of the 550-mile journey is not likely to be at the celebrated Straits of Hormuz, but rather when the tankers are about to enter Kuwait's territorial waters, 12 miles out. Here the escorting warships will peel off, staying out in international waters as they are required to do, leaving it to the small, untested Kuwaiti navy to shepherd the tankers to their terminals.

That vulnerable gap could provide the opportunity for an Iranian team, perhaps from among Revolutionary Guards based on nearby Farsiyah Island. The odds would be stacked against the attackers escaping. But, judging by the number of would-be martyrs for the cause of holing a US ship who have been marching in Tehran in recent days, there is probably no lack of suicide-minded volunteers.



Nervous markets take a cooler view

By Lucy Kellaway

UNTIL two weeks ago the tanker war in the Gulf was just background noise to the oil market. For seven years Iraq and Iran have been attacking ships passing through the Gulf without doing any appreciable damage to oil supplies. Indeed, the market has become so acclimatised to the war that fresh incidents have generally passed unnoticed.

But in the past fortnight the Gulf has shifted to the centre of the oil traders map. As the market has contemplated for the first time the possibility of a direct conflict between the US and Iran, prices have jumped, spoiling the quiet that had prevailed since the beginning of the year. In the US in particular traders have taken an alarmist view of events, and the price in West Texas Intermediate has traded as well over $21 a barrel, at least $2 higher than official Opec selling prices.

What the market fears is an interruption of supplies from the Gulf, which currently handles over 6m barrels of oil a day—about one third of total Opec output.

Oil consumers are estimated to be building up their oil stocks at 1m barrels a day—about twice the usual rate for this time of year. Speculators have pushed up prices even further

But over the past two days the mood has begun to change. As the first reflagged tankers have started to move smoothly through the Gulf, the market is wondering whether it has been overreacting to events. Since Monday prices have slipped more than 70 cents.

Earlier alarmist talk of the growing importance to the US of Middle East supplies (which currently account for 10 per cent of consumption) has all but evaporated. It is being replaced by a more sensible consideration of the real risks of a supply interruption — which most analysts, especially European ones, judge to be tiny. They reflect that disturbing supplies is the last thing either side wants.

The market is starting to reinterpret the sabre rattling of the past two weeks, seeing it more as a publicity exercise than as a genuine expression of hostile attempt. Mr Humphrey Harrison of Banque Paribas Capital Markets argues that the US is trying to redress the damage caused to its relations with the Middle East by the Irangate affair, while Iran is chiefly interested in propping up the oil price.

But even if oil traders' more extravagant fears are justified, the effects of a disruption to oil supplies would not lead to repeat of the oil price shocks of the 1970s. This time there is a large spot market for oil creating a greater marginal supply to take the strain on prices.

Moreover, the US and other Western countries have built up very large strategic oil reserves ready to be mobilised quickly at the slightest whiff of a supply crisis. Government reserves are now about 730m barrels, of which about 500m are in the US.

Slim prospects for effective ban on supply of arms

BY ANDREW GOWERS, MIDDLE EAST EDITOR

IT IS ONE of the stranger twists of the Gulf war that the Government which landed itself in so much political and diplomatic trouble by secretly selling arms to Iran should now be preparing to persuade the international community to impose a mandatory ban on such sales.

Yet this is exactly what the Reagan Administration is planning—with the support of key Western allies such as Britain—as a follow-up to Monday's UN Security Council call for a ceasefire between Iran and Iraq. While not explicitly mentioning an arms ban, the resolution provided for the consideration of "further steps" to ensure compliance.

And now that Iran has predictably rejected it, the US will be trying to convene another special Security Council meeting in the next few weeks to frame a ruling with real teeth. This would only be the second mandatory arms ban in the UN's history, following its long-standing embargo on military sales to South Africa.

The Americans' chances of success are unclear. At least two of the permanent members of the Security Council—the Soviet Union and China—do not appear to be in any rush to agree an arms embargo; they would prefer to give the UN secretary-general time to implement the first resolution.

More importantly, there are serious doubts as to the likely efficacy of any arms embargo. None of the previous efforts to restrain the supply of weapons to the two combatants—notably Washington's Operation Staunch effort aimed at Iran and initiated in 1983—has had a marked impact. Both Iran and Iraq have shown a remarkable ability to buy what they need, including highly sophisticated weaponry, from the widest variety of suppliers, be they governments or private dealers.

The respected Stockholm International Peace Research Institute said in a report last month that 53 countries had supplied either Iran or Iraq with weapons between 1980 and 1986. No less than 27 nations had sold arms to both sides. Precise estimates of what the two countries have spent are impossible to obtain. But it certainly runs into tens of billions of dollars; Iran alone is believed to have imported about $9bn worth since the start of the war in 1980.

The fact is that, as Sipri points out, the Gulf war has been an enormous boon to arms merchants at a time of general decline in the trade elsewhere. The flow of arms has continued irrespective of ideological or other constraints, and has in the process created some very odd bedfellows. Iran, for example, is believed to have received weapons from both North and South Korea; China and Vietnam; and Israel and Syria. The biggest arms suppliers to either side are said to be France, which has made deliveries to Iraq worth anything between $5bn and $9bn since 1980.

It is doubtful, to say the least, that a mandatory ban on sales will dampen the ardour of all these suppliers

THE MILITARY BALANCE

IRAQ
- Defence spending (1985) $12.87bn
- Regular armed forces 845,000 –
- People's army 650,000
- Combat aircraft 500
- Main battle tanks 4,500

IRAN
- Defence spending (1985-86) $14.09bn
- Regular armed forces 704,500
- Basej (volunteers) unknown
- Combat aircraft 68
- Main battle tanks 1,000

NB All equipment figures very approximate an dsubject to losses.

Source: International Institute for Strategic Studies

Kuwait prompts UK confusion over reflagging

By Kevin Brown, Transport Correspondent

THERE WAS confusion in British shipping circles yesterday over reports that Kuwait had applied for permission to register a number of tankers in the UK.

The reports provoked a furious row in the British House of Commons, where Mrs Margaret Thatcher, the Prime Minister, told MPs that Kuwaiti ships could apply to reflag, and would then qualify for Royal Navy protection.

Her statement was interpreted as an invitation to Kuwait to do so—but shipping experts quickly pointed out that it was actually no more than a statement of existing procedure.

No application for reregistration has been made, and none is expected, at least in the short term, not least because of the lack of naval protection Britain would be able to offer.

There are only two Royal Navy ships on patrol in the Gulf, and neither ventures north of Bahrain, leaving the major part of the journey from the Straits of Hormuz to Kuwait without a British presence.

The reflagging rumours began in Kuwait on July 14, when Mr Fa'oud Al Ossemi, the Minister of State for Foreign Affairs, made preliminary inquiries through Mr Peter Hinchcliffe, the British ambassador, about the nature of the UK register.

These inquiries were followed up in London on Tuesday, when Mr Al Ossemi saw Mr David Mellor, the British Foreign Office Minister of State, to discuss the Gulf crisis.

An application to reregister ships would have to be made through the Registrar General of Shipping, an official of the Department of Transport, and no application had been received by last night.

There is no question of Kuwait being invited to apply, or of special exemptions being made.

Tehran ends up more isolated than ever

BY ANDREW GOWERS, MIDDLE EAST EDITOR

IRAN'S revolutionary leaders have always taken pride in the fact that the great powers—or what they term "world arrogance"—are against them.

But they have never seemed as isolated as they do this week following their rejection of the UN Security Council's unanimous resolution calling for a ceasefire in the Gulf war. Eastern, Western and non-aligned nations alike are now ranged against Iran's continued prosecution of the conflict. A number of countries have broken off relations with Tehran altogether in response to alleged subversion or failure to play by the diplomatic rules, the most recent being France.

Even those few radical states which originally sympathised with the Islamic regime in its struggle against Iraq have been wavering or reassessing their position. Libya's Col Gadaffi, for example, actively supported Iran in the first few years of the Gulf conflict, but has become increasingly outspoken in his attacks on what he calls "this crazy war" in recent months.

The UN resolution is only the latest and most clear-cut sign of how few friends Tehran now has.

As international diplomacy aimed at ending the war moves into a higher gear, the most intriguing questions concern Iran's ties with the Soviet Union and with Syria (see below).

To all intents and purposes, Moscow is on the same side as Washington in the Gulf war. Like the US, the Kremlin has absolutely no interest in seeing an Iranian victory. Indeed, the Soviets arguably have more at stake, since they continue to be Iraq's main weapons supplier and are owed billions of dollars by Baghdad.

Yet this has not prevented them from maintaining a cautious dialogue with Tehran. There was a considerable improvement in this relationship last year, amid talk that the two countries might be on the point of reopening an important natural gas pipeline from Iran to the Soviet Union

This deal has yet to materialise and relations took another turn for the worse earlier this year when the Soviets came out more openly in support of Iraq. But as the temperature has risen between Iran and the West in recent weeks, Iranian leaders have been careful in recent weeks to avoid offending Moscow.

There is, of course, a limit to how close Tehran's Islamic regime will want to get to Moscow's atheistic one. But the Soviet-Iranian relationship constitutes an important political "card" for both sides. Both are well aware of their ability to play on US fears that Moscow has been gaining a toe-hold in an area which it considers to be strategically vital. The Soviet Union has every interest in cultivating Iran: they share a 1,000-mile border; the Iranians provide substantial support for guerrillas fighting the Soviet occupation of Afghanistan; and not least, a significant proportion of the Soviet population is Moslem.

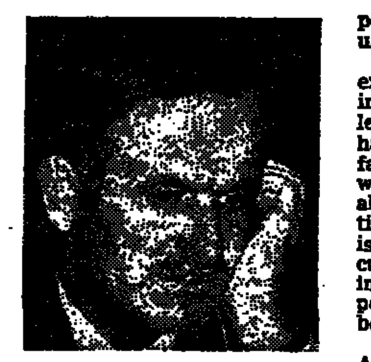
Saudi cash tempts Iran's only ally

BY NORA BOUSTANY IN BEIRUT

AS THE US and Europe move cautiously to bring Syria in from the cold and to isolate Iran, speculation continues about the fate of the alliance between the two countries themselves.

Syria is Iran's only remaining Arab ally in its war with Iraq. But dealings between Damascus and Tehran remain tense as a result of Syrian disapproval of Iran's activities in Lebanon. Syria's President Hafez al-Assad is also under pressure from other Arab countries, including Jordan and the wealthy Arabian peninsula states, to mend fences with Iraq. Assad also wants to improve his image in the West, tarnished by accusations of terrorist links.

Yet despite a widely-reported meeting between Mr Assad and Iraqi President Saddam Hussein in Jordan three months ago, no decisive public move has yet materialised. Nor has the long-predicted showdown between Syrian troops in Beirut and the pro-Iranian Hizbollah group. Indeed, Mr Farouk al-Sharaa, the Syrian foreign minister, was last week reported to have assured Iranian leaders in Tehran of his country's continued support.



President Assad: intense pressure

However, economic misfortunes may now induce Damascus to re-examine its relationship with Tehran.

Syria is facing its worst financial crisis in 16 years, with foreign currency reserves down to $20m-$40m, dwindling Arab assistance and mounting debts to East and West bloc creditors. Its Western debt is estimated at $3.5bn, while its military debts to the Soviet Union could be anywhere between $7bn and $15bn, depending on the exchange rate used.

Tough restrictions on foreign exchange and controls on imports, together with a ruthless anti-corruption drive, have hampered private initiative and failed to attract the capital of wealthy Syrians deposited abroad. Mismanagement continues to afflict industry, and it is becoming increasingly difficult to keep up with rampant inflation, which is officially posted at 40 per cent but may be as high as 125 per cent.

Of the Gulf states, only Saudi Arabia has been fully honouring financial aid commitments made at the Arab summit in Baghdad in 1978. Syria gets around $540m a year from the Saudis out of a total $600m-$700m under the agreement, which expires next year.

This is the nub of the issue. Syria is understood to have been promised substantial additional assistance from Saudi Arabia, Kuwait and the other Gulf states if it patches up its differences with the rival Baathist regime in Iraq, paving the way for an Arab summit later this year.

And the evidence of strain between Syria and Iran has been only too clear in the past few months. The kidnapping of the US journalist Charles Glass last month by pro-Iranian militiamen in a Syrian-controlled area signified Iranian discontent over Syria's recent flirtation with Iraq

"This is the most unnatural relationship in the Middle East: the most secular state, and the most religious, Iran; an Arab and a Persian country," said a western diplomat.

It has often been said that the only thing Syria and Iran have in common is their common dislike for Iraqi President Saddam Hussein. But there is also an economic factor in their relationship. Syria owes Iran anywhere between $1.5bn and $2.3bn for oil, not counting generous gifts of free crude. Iran provided Syria with 6m tonnes of oil annually between 1982 and 1985.

Diplomats in Damascus say a new oil agreement concluded in April with Iran has secured Syria 1m tonnes of oil free of charge and 2m tonnes at 25 per cent less than the Opec price.

For this reason some observers still caution against expecting swift or radical changes in Mr Assad's position.

OTHER OVERSEAS NEWS

Mervyn de Silva reports on President Jayawardene's Tamil peace offer

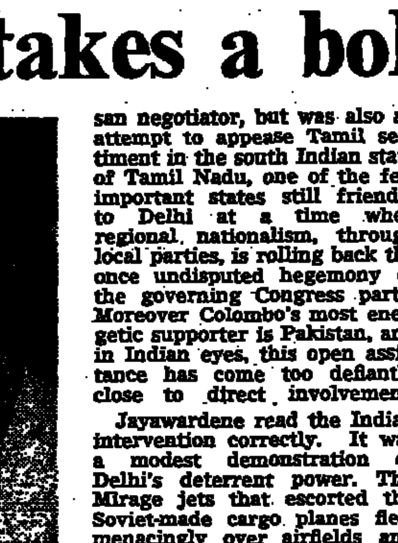
Colombo's JR takes a bold gamble

PRESIDENT Junius Richard Jayawardene's right-wing pro-west government, the longest and most powerful since Sri Lanka's independence in 1948, enters its second decade today looking in even more trouble than the strife-torn island.

Under sustained Indian pressure, Jayawardene has staked his government's future and his own long unassailable authority on a new offer of regional autonomy to the separtist Tamils. Many in his party and cabinet fear that the Sinhalese will see the proposed deal, underwritten by India, as a sell-out to the Tamils and a surrender of sovereignty. That is certainly how former Prime Minister, Mrs Bandaranaike, the opposition, and the monks will present it.

For four years, after the July 18983 anti-Tamil riots, JR, as he is popularly known, has outmanouvred all his opponents and warded off all pressures to yield to the Tamils on Delhi's terms. Held in absolute awe by admirer and critic alike, the 81-year-old patriarch scoffs at the idea that the monks wield the power of the ayatollahs. They are, he says in Sinhala, "bayatollahs," a timerous tribe. Nonetheless, it does seem as if the master-strategist has finally exhausted his armoury of stratagems.

Though the Tamils, liberal-minded Sinhalese and western diplomats see Jayawardene's bold move as the first flicker of light in a long, winding tunnel, the ruling United National Party (UNP) is distinctly jittery. Local and foreign businessmen are already alarmed by the prospect of a possible confrontation with Prime Minister Ranasinghe Premadasa when he returns to Colombo on Saturday. The party's most uncompromising critic of the Gandhis, mother and son, Premadasa said in Tokyo on Sunday that he was "unaware" of any new offer



President Jayawardene: master strategist

Recently the President convened a special meeting of the 12 ministers who comprise his inner cabinet. He invited the Indian High Commissioner, Mr Mani Dixit, to "clarify" Mr Gandhi's views. This was an unprecedented encounter reflecting the radically changed situation after India's first overt intervention, and prompting the opposition leader Mr Anura Bandaranaike to remark, "Mani makes our world go round."

The airdrop of relief supplies in the north by military aircraft marked more than a change in India's role from "honest broker" to semi-partisan negotiator, but was also an attempt to appease Tamil sentiment in the south Indian state of Tamil Nadu, one of the few important states still friendly to Delhi at a time when regional nationalism, through local parties, is rolling back the once undisputed hegemony of the governing Congress party. Moreover Colombo's most energetic supporter is Pakistan, and in Indian eyes, this open assistance has come too defiantly close to direct involvement.

Jayawardene read the Indian intervention correctly. It was a modest demonstration of Delhi's deterrent power. The Mirage jets that escorted the Soviet-made cargo planes flew menacingly over airfields and harbours. The only real military gain was the north-eastern coastal area, a third of the peninsula. The Tamil Tigers are back with a vengeance, not merely ambushing army patrols but attacking new, fortified camps. The army is bogged down, says Finance Minister Ronnie de Mel.

By the intervention and the distribution of relief supplies, India taught a lesson to the overbearing and intransigent Tigers too. Indian Red Cross officials were mobbed and kissed by Jaffna's beleagured citizens who now understand that Delhi, not Tamil Nadu or the Tigers, is their ultimate protector.

Of the six dissenting ministers, the most assertive voice was that of the National Security Minister Lalith Athulathmudali, one of the premier's rivals, who was also chief negotiator. He was eased out of the second post by Land Minister, Ramini Dissanayake, another front-runner in the succession stakes. Another peace advocate is Minister S. Thondaman who also holds the influential position of trade union chief of Indian Tamil plantation labour, now said to be infiltrated by Tamil radicals. Finally, the Finance Minister Ronnie de Mel returned from the Paris aid group meeting with a near-ultimatum. The donors who account for 50 per cent of the budget want a settlement this year. The World Bank and IMF, worried by rising defence costs and debt-servicing, demand the same.

Jayawardene has realised that he has to fight two-and-a-half wars. One against the Tamil rebels in north and east, the second against a newly-formed opposition front led by Mrs Bandaranaike, and against the resurgent JVP, a proscribed Sinhalese extremist youth group that is robbing banks, collecting arms and raiding military camps.

The situation in Sri Lanka is near breaking point. The campuses are closed, 1,500 government doctors have been sacked over a strike that has paralysed 19 major hospitals. No fewer than 22 unions have put forward new demands, all political. These include relaxation of the emergency, the release of persons detained without trial, and an end to "police repression." The unions and the students support Mrs Bandaranaike's demand for the general elections postponed by a highly controversial referendum in late 1982

If the Tamils deal goes through, the President can close the northern front and defend his main Sinhalese base.

Crocker talks in Luanda 'a waste of time'

By Stephanie Gray

THE failure of talks last week between Dr Chester Crocker, the US assistant Secretary of State for African Affairs, and Angolan officials has raised basic questions about Angola's sovereignty and independence from Cuba and the Soviet Union, Dr Crocker said in Washington yesterday.

Angola's Marxist government, having indicated that it was prepared to put up long-awaited fresh ideas about the phased withdrawal of some 37,500 Cuban troops from its territory, had, instead given the impression that it was "at odds with itself," he said.

The Luanda meeting was a complete waste of time, he said, and the US had lost interest in pursuing talks for the sake of talks.

Speaking on a televised trans-atlantic press conference, linking Washington with journalists in Lisbon and London, Dr Crocker said the Angolans were still looking for a military solution to the civil war being waged with the guerrillas of Dr Jonas Savimba's US and South African backed Unita forces.

He said it had also become clear that Cuba did not want its troops to leave the country and that, having first linked a withdrawal to independence for neighbouring Namibia, was now trying to link it to an end to apartheid in South Africa.

"It represents an open-ended hunting licence for Fidel Castro," he said.

WORLD TRADE NEWS

Toshiba chases Pentagon order

By Ian Rodger in Tokyo

TOSHIBA, the Japanese electricals group under the threat of a ban of its products from the US, is to submit a final tender for a US Defence Department order for $100m worth of laptop computers.

Mr Joichi Aoi, Toshiba President, said last week that the company was hesitating about making a bid because of the sensitive situation in the US.

The US Administration and Congress have been offended by the sale by a Toshiba subsidiary of sophisticated machine tools to the Soviet Union which may have been used to make quieter submarine propellers.

Computers

Initiatives have been launched aimed at preventing the company from tendering for the Pentagon computer contract and from selling any of its products in the US.

Mr Aoi said the company was also hesitating because it would have to manufacture the computers in the US if it won the contract.

This is because in April the US imposed 100 per cent punitive tariffs on a wide range of Japanese electronic goods, including personal computers, in retaliation for Japan's alleged failure to abide by a bilateral agreement on semiconductor trade.

Equipment

Toshiba said yesterday that if it won the order, it would make the computers in its California plant, opened earlier this year.

● The bid by Matsushita Electric Industrial of Japan to export consumer electrical manufacturing equipment to the Soviet Union appears to have little chance of success, Reuter reports from Tokyo.

Talks between the company and Soviet officials have centred on the sale of equipment for making such items as VTRs, refrigerators and nickel-cadmium batteries, Matsushita said.

The company said that negotiations have been called off because of the Soviet Union's lack of foreign exchange. Their apparent failure, the company added, was not related to the recent row over illegal exports to the Soviet Union by Toshiba Machine Co.

Trade bill will now move to a House-Senate conference committee, Nancy Dunne reports

Congress faces toughest challenge in years

PASSAGE through the US Senate of the trade bill by an overwhelming majority (71 to 27) means attention will now shift to a House-Senate conference committee, where Congress will face its most complicated procedeure challenge in years.

The huge, potentially destabilising, largely differing bills passed by the two houses were created by 11 House and nine Senate committees.

Members representing each committee will be appointed to serve in the conference, and although the procedures have not yet been decided, the members may well be subdivided into smaller groups to negotiate differences in various sections of the bills.

Work is not likely to begin until the end of the month, and may even be delayed until after the summer, scheduled to run from August 8 to September 9. During the humid Washington August, congressional aides will have the unenviable task of laying the groundwork for the reconciliation of the two bills.

At some point, the White House will enter the haggling, in the hope of fending off provisions it finds most objectionable. Neither bill can be said to be more "protectionist" than the other.

The House version is seen as more restrictive in its provisions, tightening up dumping and countervailing duty statutes. The Senate bill, passed on Tuesday, is tougher on enforcement, giving temporary protection from imports and no negotiations. The White House ideal will be to get agreement on the weakest provisions in each bill.

Topping the "veto-bait" list is the House-passed amendment sponsored by Congressman Richard Gephardt as a launch pad for his presidential campaign. The measure would require the Administration to negotiate with countries found to have "excess and unwarranted" trade surpluses — principally Japan — and if the balance is not redressed, the Administration would have to act unilaterally to limit the culprit's exports.

Although the provision is deemed to be wildly protectionist, it gives the Administration an escape hatch so large that it need never be employed; The President is permitted to waive retaliation if it is not in the US economic interest to act.

The Senate, although just as avowedly determined as the House "to enhance US competitiveness," passed a provision seen as more "moderate." It would require the President to determine which countries have "a consistent pattern of trade barriers" and then negotiate with those countries to reduce the barriers. Should negotiations then fail, the President would be required to retaliate, but he is given wider discretion by the Senate than the House in his response.

Mr Dan Rostenkowski

Mr Richard Gephardt

It is not clear whether the Senate version would court a veto, although the White House has hinted that it would. The Administration, however, has other complaints about the Senate bill. It is objecting, as is the business community, to a union-backed provision, which would require companies to give 60 days notice to their employees when they are planning layoffs or shutdowns.

The White House would have been happier if control of the trade legislation had been retained by Senator Lloyd Bentsen, and Congressman Dan Rostenkowski, who head the committees which have primary responsibility for trade. Both are seen as pragmatic moderates, who would compromise to get a bill passed.

However, the bad news for the Administration is that the unwieldly legislation is clearly beyond the chairmen's jurisdiction with provisions bearing on education, labour, investment, banking, education, and foreign policy. Thus, the shape of the final package has fallen into the more combative hands of Congressman Jim Wright, the House Speaker, and Senator Robert Byrd, the Senate majority leader.

Much is at stake in the dozens of proposals passed: a mechanism to buy up Third World debt, a tightening of antidumping and subsidy provisions, revocations for six months of trade preferences for Romania and Angola; foreign disclosure requirements, limits on US support for certain loans from the international development banks.

President Reagan's trade policy rests on liberalisation. It was to be achieved through the new round of multinational talks now underway in the General Agreement for Tariffs and Trade. However, the future of those negotiations may well depend on the outcome of the legislation.

The House bill gives the Administration the mandate it needs to conduct the talks and a "fast-track" procedure to obtain Congressional approval of the final result. The Senate, in response to calls for limiting the President's authority, laid out a procedure for revoking the "fast-track" and failed to give the president the delegation of authority granted in the Tokyo round to negotiate tariff reductions without Congressional approval.

If the President vetoes the bill, he could face the crushing defeat of an override. The Democrats have a large House majority, and it is unlikely to be stopped there. The bill passed in the Senate by four more votes than were needed to override a veto, and two Democrats were absent.

President Reagan can wait until next year to seek negotiating authority, but he will be facing the same Democratic Congress which is unlikely to give it to him as a farewell present in his last year in office.

The failure of the US Government to obtain a strong mandate to negotiate could slow the momentum of the new trade round and hinder the hope of solving many of the trade conflicts which have so inflamed Congress.

Japan fears China may halt rare earth talks

JAPANESE importers are becoming increasingly concerned that China may stop new trade talks on rare earth exports, including yttrium, in a possible attempt to increase prices, Reuter reports from Tokyo.

Yttrium, one of the elements in rare earth, is used in the development of superconductors, Japanese industry officials said.

Japanese imports of rare earth from China are estimated at 3,500-3,600 tonnes a year, 75 per cent of total imports. The chemicals contained in the earth are used to make colour TV sets, printers and high technology.

China accounts for some 90 per cent of Japan's imports of yttrium, estimated at 400-500 tonnes annually.

The officials said if new trade talks were suspended, it would affect the production of high-technology products and the development of superconductors.

They added that China had been trying to consolidate its export negotiations. These at present are conducted through various Chinese government and provincial corporations which have individual export contracts with Japanese.

Senate and House provisions

MAJOR provisions of the Trade Bills approved by the Senate and the House:

Import relief: Senate Bill requires the President to impose import curbs recommended by International Trade Commission to aid troubled industries unless they would create hardship for farmers or the poor.

House bill transfers decision-making authority over restraints from the President to US Trade Representative. He would be required to act on ITC recommendations unless economic costs would outweigh benefits.

Retaliation: Senate Bill requires US Trade Representative to pinpoint countries with "a consistent pattern" of trade abuses and calls for retaliation if these are not removed. Action is mandatory if practice violates an international agreement.

House bill requires dollar-for-dollar retaliation at a rate of 10 per cent a year, to reduce surpluses created by unfair trade practices, if talks fail.

Unfair trade practices. Both bills expand definition of unfair trade practices to include foreign government-industry targeting of US market sector and worker rights violations, such as bans on unions.

Trade adjustment aid: Expands federal aid to workers left jobless by import competition and requires they retrain in order to obtain benefits. Would be financed through import fee of 0.1 per cent.

House bill includes incentive programme to encourage retraining. Requires beneficiaries to retrain if plant closed permanently. Financed through import relief and other revenues.

Agricultural subsidies: Both bills would increase funding for Export Enhancement Programme, which provides subsidies to spur exports. Senate bill would enlarge sugar tariff rebates, and orders marketing loans for wheat, corn and soyabean producers if global trade talks fail to reduce farm subsidies.

Foreign investment disclosure: House bill requires disclosure of significant foreign investment in US. No senate counterpart.

Plant closings: Senate bill requires companies to provide employees with 60-day notice of closures and mass layoffs. No House counterpart.

Windfall profits: Senate bill repeals 1980 windfall profits tax aimed at soaring oil earnings in the 1970s. No House counterpart.

Toshiba ban: Senate bill bans for two to five years imports from Toshiba of Japan and and Norway's Kongsberg Vaapenfabrikk because of sales to Soviet Union. No House counterpart.

EC warns on protectionism

BY TIM DICKSON IN BRUSSELS

THE European Community yesterday warned the US Congress to consider the consequences of "overt protectionism." The EC concern over the effect of any US trade legislation was mirrored in Asia where countries were worried at the possible loss of exports and jobs.

Mr Willy de Clercq, the EC's External Relations Commissioner, said in Brussels that he hoped that when the two houses of the Congress next meet, they will "take into account the real worries expressed by America's trading partners and by the Administration itself"

Officials at the European Commission showed little surprise at the large majority in favour of a bill which Mr de Clercq said "unilaterally reinforces the range of measures defending the commercial interests of the US . . . and introduces some new notions such as sectoral reciprocity which go against the rules of the Gatt." Mr de Clercq said that without a change of heart by Congress, the Community was counting "on the firmness of the Administration as indicated several times by President Reagan to use his veto."

"Any overtly protectionist legislation would be a grave blow to the whole multilateral trading system and would threaten the current Uruguay Round negotiations. In the end it would force America's trading partners to take similar measures."

● Asian nations labelled the bill as protectionist and hinted at retaliation if it became law, Agencies report.

Japan's Prime Minister Mr Yasuhiro Nakasone said he was concerned that President Reagan might not have enough support in Congress to sustain a veto.

"The move in Congress is viewed with deep apprehension by the Japanese Government," Japan's Foreign Minister, Mr Tadashi Kuranari, said.

A senior Foreign Ministry official said Japan was disappointed that Congress had failed to recognise the progress Tokyo had made in opening up markets.

"It is regrettable indeed that the Senate has seen fit to pass such a clearly protectionist piece of legislation," Japan's Trade Minister, Mr Hajime Tamura, said.

The Taiwan Footwear Manufacturers Association, a major exporter to the US, was more explicit. "It is a killer bill and we don't like it," he said.

"It is the worst trade bill I have seen," a Korea Foreign Trade Association official declared: "It will damage the principle of international free trade and it could cause a trade war

Taiwan to buy six Boeing superjets

Boeing Commercial Airplane Co, a unit of Boeing of the US said yesterday that China Airlines will buy six advanced-technology Boeing 747-400 superjets in an order valued at about $1bn (£687m), AP-DJ reports from Washington.

China Airlines, with headquarters in Taiwan, is the national carrier of the Republic of China.

Boeing said the contract will be finalised by September 30 and the carrier will receive its first two aircraft in the fourth quarter of 1989.

Alcatel contract

Alcatel Faiscearex Hertziens, a subsidiary of Alcatel NV, has won a FFr 11m (£1.1m) contract to supply telephone links between six Caribbean islands, the company said yesterday, Reuter reports from Paris.

AMERICAN NEWS

Annual inflation rate in US rises to 5.1%

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

CONSUMER prices in the US rose at an annual rate of 4.3 per cent in June, bringing the pace of inflation in the first six months of 1987 to an annual rate of 5.1 per cent, the Commerce Department reported yesterday.

The increase in prices is the steepest since the 6 per cent rise in the first half of 1982 when tight monetary policies and recession were curbing the intense inflationary pressures which built up in the second half of the 1970s.

Last year, under the influence of falling oil prices and the earlier strength of the dollar, consumer prices rose by 1.1 per cent.

But this year consumer price inflation has accelerated with energy prices rising at an annual rate of 16.7 per cent in the first half of this year, food prices inching up and price increases on imports stemming from the sharp decline in the dollar feeding through into the economy.

The 0.4 per cent rise in the consumer price index in June was led by a 0.7 per cent rise in food prices, and a further 1.5 per cent increase in energy costs, components which account for three-fifths of the total price index. Excluding food and energy, the increase was a modest 0.2 per cent.

On Wall Street the financial markets were reassured by the report. Rumours on Monday afternoon that the increase would be 0.9 per cent knocked the prices of fixed interest securities sharply lower.

Earlier this year fears that inflation would accelerate sharply in 1987 were worrying investors in dollar securities. But in recent weeks these concerns have faded and it is now widely anticipated that inflation will run at about 4 to 4½ per cent.

There is considerable nervousness, however, about the possibility that price pressures will be more intense than this and that this level of inflation could begin to trigger a rise in inflationary expectations and become embedded in wage settlements. Economists will be watching the wage talks in the car industry this summer as one guide as to whether this is happening.

Many economists expect that after the 5 per cent increase in the first half of the year the pace of inflation will slow to nearer 4 per cent in the second half of the year. They argue that the food and energy price increases which have driven the increase so far will moderate.

Shultz set to give testimony

MR GEORGE Shultz, US Secretary of State, faces stiff questioning by Congress on why he distanced himself from covert Iran-Contra policy decisions, Reuter reports from Washington.

His evidence, scheduled for today, comes amid signs of mounting frustration among members of the Congressional committees and of Congress at the failure after nine weeks of hearings to get to the truth of who was responsible for the sale of US arms to Iran and the diversion of funds to the Contras.

Senate majority leader Robert Byrd complained yesterday of "an epidemic of amnesia" by Administraton officials. His remarks followed comments earlier in the week by Senator Daniel Inouye, co-chairman of the committees, that he had reluctantly concluded that the truth would never be known.

Mr Shultz says he was ignorant of many key decisions behind the policy. This aloof stance by President Ronald Reagan's top foreign policy adviser has puzzled many of the 26 members of the committees and angered conservatives who called for Mr Shultz's resignation when the affair became public last November.

US 'has lost will to send people into space'

By Peter Marsh

The US space industry has over-reacted to the Challenger space accident by placing too much emphasis on safety and has lost the will to send people into space, the latest edition of Jane's Spaceflight Directory says.

The "safety first" attitudes of the US to putting people into space are criticised in the edition directory, which hints that the space shuttle fleet, grounded after last year's Challenger accident, may not fly again until after 1990.

Following the disaster, which killed seven people, the National Aeronautics and Space Administration is redesigning the strap-on boosters in the remaining three vehicles in the fleet. The official date for teh next launch is mid-1988, though many observers have speculated that the lay-off might last much longer.

In a hard-hitting foreword to this year's edition, Mr Reginald Turnill, the book's editor, suggests that the long stoppage might not strictly be necessary. "With more stringent safety rules, the shuttle need never have stopped flying while improvements were made."

Mr Turnill says: "Nasa has lost the will to fly men in space. Only those executives emphasising the conservative approach and 'safety must come first' find favour in the hierachy."

The editor, a long-standing and combative commentator on space technology, does not dissent from the view that the Challenger accident was a tragedy. But he believes Nasa has over-reacted in virtually shutting down the main parts of its space programme.

Another effect has been to make the US less willing to take a long-term view of partnerships.

"It is the unnecessary sense of national humiliation over an accident that should have been accepted as the unfortunate but inevitable price of leadership that has driven the US into a sordid period of nationalism," writes Mr Turnill.

Mr Turnill says Western nations should pause to learn something from the efforts in space of the Soviet Union.

Jane's Spaceflight Directory 1987, edited by Reginald Turnill; Jane's Publishing Company, 238, City Road, London EC1V 2PU, £67.

La Paz negotiates $150m facility with IMF team

BY ROBERT GRAHAM, LATIN AMERICAN EDITOR, IN LA PAZ

BOLIVIA is seeking a $150m extended fund facility from the International Monetary Fund. An IMF team has been in La Paz monitoring the performance of the Bolivian economy and discussing the country's financial needs, following the announcement two weeks ago of a three-year programme to reactivate the economy.

The Fund's facility is expected to cover the same three-year period of the reactivation programme. But it will be additional to the $1.5bn envisaged necessary for the programme. The latter funds will come principally from the World Bank, Inter-American Development Bank, and bilateral agreements.

The Fund has been called in because of the country's precarious balance-of-payments position, due to the collapse in the price of tin and a dispute with Argentina over gas sales that have caused a sharp drop in foreign exchange earnings. Minerals and gas exports account for 85 per cent of Bolivia's legal $540m hard currency earnings.

Fund officials are reported to be impressed by Bolivia's performance in bringing down inflation to a current annual rate of 12.7 per cent from 24,000 per cent in 1985.

According to Fund estimates, the Bolivian economy will grow 2.2 per cent this year—the first positive growth in six years. Once Bolivia has concluded negotiations with the Fund, it is expected to begin talks with the Paris Club on rescheduling its bilateral debt. Bolivia's total foreign debt is $3.7bn, of which the bilateral debt totals some $1.6bn.

The Bolivian Government is anxious to involve the Fund as much as possible as a means of reassuring international creditors. The Fund has recently agreed to supervise a special fiduciary account, to be set up this year, to receive monies which foreign governments are due to give Bolivia in the form of aid to purchase at a discount up to $900m of its debt to banks.

This arrangement is a novel procedure in the attempts to solve the Latin American debt crisis. Bolivian officials say that the foreign governments involved in giving Bolivia funds to purchase its debt are insisting on anonymity for the time being.

Peter Ford on how Panama is dealing with pressures for reform

Noriega digs in against opposition

AFTER NEARLY six weeks of waving white handkerchiefs, banging on pots and pans, and honking their car horns, Panamanian protestors appeared to be running out of steam.

But the target of their demonstrations, military strongman General Manuel Antonio Noriega, has shown no signs of budging, and leaders of the anti-government "civic crusade" seem at a loss as to what to do next.

"People are tired" of demonstrating daily, acknowledges Mr Aurelio Barria, president of the Chamber of Commerce, which has spearheaded the opposition campaign.

And while the "crusade" has called a general strike next week, its chances of success look slim. "You don't get co-operation from businessmen and industrialists for long strikes," laments one major employer, "because you have to pay salaries, and with no income you break your cash flow."

If the opposition is to capitalise on the widespread show of discontent with the Government that it has revealed, negotiations would seem to be in order.

Business leaders at the head of the protests, however, steadfastly insist that they will settle only for General Noriega's departure, and an independent inquiry into allegations against him for murder, electoral fraud and corruption.

The five opposition parties, all professing varying degrees of conservatism, are still calling for nothing less than an entirely new government.

Bitterness runs deep through the anti-Noriega forces, especially since police forcibly broke up their attempted mass rally 10 days ago.

Though the riot police behaved with restraint by Central American standards, their use of shotguns and tear gas to disperse protestors was almost unprecedented here.

And stories by subsequently released detainees of brutal treatment at the hands of prison guards have horrified many Panamanians.

The Catholic Church described the conditions under which arrested demonstrators were kept as "immoral and inhuman," and President Eric Arturo Delvalle has asked General Noriega for an investigation into tales of beatings, mass rapes and psychological torture.

Where this all leaves Panama's political future, however, remains unclear.

The government has said repeatedly that General Noriega's resignation is not negotiable. But spokesmen have raised the possibility of talks about judicial and electoral reform to give the opposition a fair chance at elections due in 1989.

The US, watchful of its interests in the Panama Canal, and the Army Southern Command also appear to favour a negotiated solution to the stalemate.

Deputy Assistant Secretary of State, Mr William Walker, was in

Panama last week, sounding out government and opposition leaders.

"He asked us to explain our position," says a veteran opposition political leader of his talks with Mr Walker. "He wondered whether there would not be a power vacuum if General Noriega left, and he asked us why we do not want the negotiations with Delvalle."

"We are very disappointed with the United States," complained Mr Barria. "They are responsible for this situation, because they have been supporting Noriega. They cannot just wash their hands of this now"

Though Mr Walker reportedly made no concrete suggestions as to how Washington would like to see the crisis resolved, and refused to talk to reporters, opposition leaders who spoke with him said he did not offer them much encouragement.

While leaders of the "civic crusade" have been pressing political demands and might moderate their insistence on General Noriega's removal in order to discuss electoral reforms, trade unionists and leftist members of the ruling "Revolutionary Democratic Party" (PRD) are keen to see a change in economic policy emerge from the crisis.

Delvalle's Government, still in the midst of a World Bank structural adjustment loan, has been pursuing austere economic line, which has lost the PRD much popular support.

It could well be, say some observers here, that the businessmen behind the protests will find they share a common interest with President Delvalle in staving off leftist pressure, and thus submit to negotiations to end the deadlock.

While General Noriega's position appears off the agenda for the time being, the possibility that he might bow out after a decent interval has elapsed, and before the next election, is being widely canvassed.

At the moment "crusade" leaders say they will not negotiate with General Noriega, and they are equally adamant that talks with President Delvalle would be useless, because they regard him as the general's puppet.

But if the opposition is to salvage anything from its faltering campaign, and if Washington does indeed seek to broker a rapprochement, negotiations seem to be the only way out of the crisis.

"People here have the feeling", says an opposition political leader, with a note of resignation in his voice, "that things will go as the Americans wish them to go."

US marine espionage hearing opens

MARINE SGT Clayton Lonetree's court martial on espionage and other charges began on Wednesday with a defence lawyer asking the judge if he harbours prejudice against American Indians, AP reports from Quantico, Virginia.

Sgt Lonetree, 25, an Indian and former guard at US embassies in Moscow and Vienna, faces 13 charges alleging he provided blueprints, floor plans and knowledge about embassy office assignments to Soviet agents.

The first marine ever to face trial on espionage charges, he is also accused of giving the identities of US intelligence agents to the Soviets.

The start of the proceeding was delayed about 30 minutes by a power failure and to await the arrival of Sgt Lonetree's mother.

Defence lawyer Mr Michael F. Stuhff asked Navy Capt Philip F. Roberts, the presiding judge, about his youth in South Dakota, which has several major Indian reservations. Mr Roberts said there was no major concentration of Indians in the area of the state where he lived, and assured Mr Stuhff he is not biased.

Fellow defence lawyer Mr Williams Kunstler asked Mr Roberts if he had any prejudices against him because of his notoriety, to which the judge said no.

Outside the courtroom, Mr Kunstler said that the Government's case is based entirely on a statement Sgt Lonetree made to the Naval Investigative Service.

Court lifts injunctions on spy book material

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE LAW would be made an ass if British newspapers continued to be barred from publishing extracts from the book Spycatcher, the memoirs of Mr Peter Wright, a former HMI5 counter-intelligence officer, now that the whole book had been published in the US, a High Court judge said in London yesterday.

Sir Nicolas Browne-Wilkinson, the Vice-Chancellor, lifted temporary injunctions made last July against the Guardian and Observer newspapers and refused to grant the Attorney-General, Sir Patrick Mayhew, QC, an injunction against the Sunday Times.

The Attorney-General will challenge the ruling in the Court of Appeal today. Sir John Donaldson, the Master of the Rolls (head of the Court of Appeal's civil division), said yesterday that the appeal court would, if possible, give its decision tomorrow.

His ruling should not be regarded as a charter for other members of the security services who might be thinking of publishing their memoirs, he added. He did not underestimate the seriousness of Mr Wright's breach of his admitted duty of confidentiality, which the Government alleged might greatly prejudice the efficiency of the security service; nor did he criticise the seriousness with which the Government had pursued the case.

"There seems to be temptation to treat this case as an unreasonable pursuit by the Government of unreasonable ends. That is not a view I share."

Sir Nicolas said that articles in the Guardian and Observer newspapers last year had been "the first breach in the security wall." Since then, however, the position had altered radically. Wright material had been extensively published by newspapers in the US and Australia as well as in other English papers.

Sir Nicolas suggested that the Government should follow the US system of allowing ex-secret service officers to write their memoirs and have them vetted to remove sensitive information. That, he said, would be enforceable in the US and would close "the American route" used by Mr Wright to evade the Government's *blanket* ban.

Post Office chief to stand down

BY DAVID THOMAS

THE GOVERNMENT is looking outside the Post Office for a successor to Sir Ron Dearing who yesterday made the unexpected announcement that he would be resigning as chairman of the corporation at the end of September.

However, ministers do not appear to be considering a radically different remit for his successor. This partly reflects widespread praise for Sir Ron's six-year stint as chairman, when the corporation has been consistently profitable and has considerably improved its productivity.

In particular, there appears to have been no development in official thinking about the privatisation of the Post Office after the Prime Minister's statement during the general election.

Mrs Margaret Thatcher ruled out the privatisation of the Royal Mail, though she was careful not to exclude the possibility of selling its other businesses – mainly its National Girobank banking subsidiary and its counters operation.

Sir Ron, 56, announced his retirement as he reported pre-tax profits up 1.8 per cent at £170m on turnover up 7 per cent at £3.25bn for the year to April 1.

Sir Ron said the decision did not reflect any disagreement between himself and the Government. He added that the Government had not talked to him about privatisation since the election.

The Department of Trade and Industry, which is understood to have tried hard to persuade Sir Ron to stay, refused last night to comment on his successor other than to say the announcement would be made in due course.

However, a decision is thought to be imminent on naming a successor from outside the Post Office.

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Markets jolted by jump in trade deficit

BY PHILIP STEPHENS AND JANET BUSH

A SHARP increase in Britain's trade deficit during May gave a further jolt to London's financial markets yesterday, bringing heavy losses for the pound and for government bond and equity prices.

The Department of Trade and Industry said that Britain's visible trade showed a deficit of £1.16bn ($1.84bn) in May, more than twice the level seen the previous month. The figure reflected a steep rise in imports in response to buoyant demand in the economy and a weakening in industry's export performance.

In the City of London the news, which followed figures earlier this week showing a renewed surge in bank credit and in consumer spending, was seen as further evidence that the recent strong growth in the economy may be unsustainable.

Financial markets have been unsettled since last month's general election by fears that, after strong output gains since last autumn, industry may run into capacity constraints, leaving imports to fill the gap.

The evidence of such constraints is far from overwhelming, but there was speculation yesterday that unless the outlook improves over coming months the authorities may have to dampen demand by raising interest rates.

The message from government circles, however, was that although there are some signs that rising retail spending is now pulling in more imports, it is too far too early to conclude that there has been a significant deterioration in the trade position.

Monthly trade figures are frequently erratic and officials pointed to the marked improvement in trade performance which followed a similar set of bad figures last August.

The Bank of England has now ruled out any further reduction in interest rates in the foreseeable future, but there has been no official indication that the authorities are considering an early rise in borrowing costs rates.

The May trade deficit was only partially offset by an estimated £600m surplus on Britain's invisible trade, covering areas such as shipping, insurance and tourism. The resulting £561m deficit on the current account was the first this year.

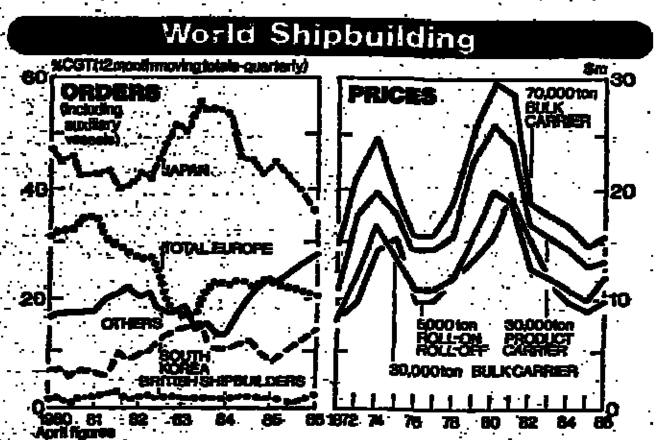
Officials acknowledged some concern over the trend in exports. Excluding oil and erratic items, the volume of exports fell by 4 per cent over the three months to May compared with the previous three months, although it is still 6 per cent higher than a year earlier. Exports to the US have been particularly weak in recent months.

Non-oil imports have been relatively flat for most of the year, but surged by around 10 per cent in May, with the increase concentrated in the consumer goods sector. Although imports of intermediate and semi-finished goods have also been strong, there has been a fall in the volume of capital goods imports, suggesting that industrial investment may still be relatively weak.

Publication of the figures brought a sharp rise in UK Government bond yields to their highest level since around the end of February, before the market's sustained pre-election rally began.

Kevin Brown looks at the task ahead for British Shipbuilders' chief

BS hopes for a voyage of recovery



MR JOHN LISTER, British Shipbuilders' new chairman, is the kind of blunt Yorkshireman who takes pride in calling a spade a bloody shovel. He is confidently expected to have something equally direct to say on the subject of the corporation's results, due out tomorrow.

Mr Lister, a former chemical industry manager, was appointed in April after Mr Phillip Hares had been forced to retire through illness. His first three months in the job have been a crash course in the *realities of shipbuilding*. He will have discovered few grounds for optimism.

British Shipbuilders reported a trading loss of £137m last year, boosted to £430m after restructuring costs and a net loss of £248m on the sale of warship yards to the private sector. There is no reason to believe that the 1986-87 trading result will be any better—especially since Mr Hares is on record as forecasting that it would be awful.

The corporation faces continuing problems on a number of fronts:

Losses on contracts: Every ship built is completed at a loss. The corporation is known to have lost about £50m on the work it has in hand, although some of these contracts were begun after the financial year ended in March.

Customer default provisions: Substantial sums will have to be set aside to cover possible defaults by customers whose financing was guaranteed by the corporation as part of the battle for orders.

Provisions of this sort amounted to £43m in last year's accounts and the signs are that rather more will be needed this year.

Scott Lithgow: The corporation has settled a dispute over a difference of £49.6m in the valuation of the assets of the Scott Lithgow yard, sold to Trafalgar House in 1984, at a level to be disclosed in the accounts. Trafalgar is also threatening litigation over a claim that it was misled about the prospects of the yard.

ITM Challenger: A large loss is likely on the *ITM Challenger*, a heavy lift crane ship ordered by a private company which subsequently went out of business. British Shipbuilders is confident a buyer will be found but the price is likely to be well short of the £45m building costs.

Redundancies: The corporation had to find £53m to finance restructuring last year, since when the workforce of 10,200 has shrunk to fewer than 7,000.

Mr Kenneth Clarke, Industry Minister, gave a clear indication of the way the wind was blowing when he asked the Commons recently to raise the corporation's borrowing limit—which covers accumulated losses—from £1.4bn to £1.5bn, with provision for a further increase to £1.8bn. The limit stood at £1.2bn only 16 months ago.

The new chairman is no stranger to the problems of structural overcapacity — as chairman of ICI's fibres division, he supervised a recovery from losses of £80m to a profit of £50m in eight years. But he inherits a corporation which has already closed 40 per cent of capacity and is generally thought to be as small as it can get without abandoning all hope of future viability.

Mr Lister's initial approach has been to call for concerted action by European shipbuilders, of the kind that helped to restructure the fibres industry. He recognises, however, that shipbuilding is more fragmented and that this sort of approach has made little headway in the past.

The real problem is beyond his control—40 per cent world over-capacity in ship construction, mostly in the Far East has caused prices to fall to a level at which even the Japanese and South Koreans cannot make profits.

In practice, his room for manoeuvre is limited and the strategy will concentrate on three main areas.

First will come cost cutting through efficiency improvements. British Shipbuilders' workforce is already among the most productive in Europe—the days of overmanning and demarcation disputes are largely gone—but there are savings to be made through better organisation of work schedules.

Unfortunately, only about a third of the cost of building a ship can be controlled within the yard, so the scope for significant savings is small.

The second target will be subsidy payments. The European Community ceiling on intervention fund financing, set at 28 per cent in November, is due for review later this year. British Shipbuilders pressed hard for a limit of 32 per cent in the last round of negotiations and will return to the fray.

Third comes marketing. The corporation moved earlier this year towards sophisticated products such as research ships, refrigerated vessels and products carirers. Small cruise ships, for which there is a buoyant market, will be added to the list.

These more complex ships offer the advantage of moving the corporation away from direct competition with Far East yards which tend to concentrate on straightforward bulk carriers and tankers. But the corporation will be in direct conflict with other European yards equally desperate for orders and often with more sympathetic governments than British Shipbuilders'.

This was illustrated by the recent £43m order placed by Britanny Ferries with the French yard Chantiers de l'Atlantique, which British Shipbuilders claims it lost only because of unfair subsidies. This is being investigated by the European Commission.

The picture is not totally bleak. The corporation recently won a £50m order for two container ships for China, with an option for a third, has hopes of a small ferry order from the Scottish operator Caledonian MacBrayne, and of a government order for a supply ship for St Helena.

Govan, the main Scottish yard, recently completed the biggest passenger ship built in the UK since the 1960s—the 31,000 ton Norsea for North Sea Ferries—which will rank as good experience in the cruise ship market.

In Sunderland, North East Shipbuilders recently launched the first of 25 small ferries being built for Danish owners and expects to complete one a month for the next two years.

Sizewell B inaugurated in spite of protesters

By Maurice Samuelson

MORE THAN 20 banner-waving demonstrators penetrated the Sizewell B nuclear power station site in Suffolk yesterday to see Lord Marshall, Central Electricity Generating Board chairman, arrive to inaugurate the long-awaited £1.5bn project.

After arriving by helicopter nearly an hour late because of flying difficulties, Lord Marshall started specialised machinery for building the £10m diaphragm wall, which will enable the site to be drained without affecting local farm land or the neighbouring older power station.

Afterwards Lord Marshall said he was "very sad" at the threat by Friends of the Earth, an environmental pressure group, to continue resisting the project by "direct non-violent action."

Yesterday's ceremony marked the end of a six-and-a-half-year battle by the CEGB to build Britain's first pressurised water reactor.

"No one expected that would take so long to reach this stage. This is the day the CEGB has long waited for," said Lord Marshall.

In the next few months the CEGB intends to seek planning permission for its second PWR station at Hinckley Point, Somerset. "But first we want to get all our ducks lined up in a row," Lord Marshall said.

Construction of the Sizewell B diaphragm wall, described as the longest and deepest underground wall in Europe, began the programme which will see the 1,175-Mw station supplying electricity by 1994.

More than 1,200 metres long, 50 metres deep and one merte thick, the wall will be built in 20 weeks by an Anglo-French joint venture formed by Stent Foundations, a subsidiary of Balfour Beatty, and Soletanche Enterprises of Paris.

Contract valued at £650m have already been awarded at Sizewell. A further 60 contract packages remain. More than 90 per cent of the orders for hardware would go to British manufacturers, Lord Marshall said.

"Jobs are already being created in British factories and at the site, which will provide an average of some 10,000 jobs a year over seven years," he said.

During the peak construction years there will be 3,500 people working at Sizewell including many recruited locally. Some £200m will be injected into the East Anglian economy.

The CEGB's original plan for draining the site involved the sinking of numerous wells and a costly continuous pumping operation. After a public inquiry, where concern was expressed that the local environment could be adversey affected, the Board decided to construct a diaphragm wall that had the benefits of preventing possible settlement below the level of the Sizewell A station.

APPOINTMENTS

Lloyds Bank senior posts


Mr Barry Taylor (left) divisional manager commercial banking; Mr Roger Bardell (right) divisional manager small business services.

Two key appointments have been made to LLOYDS BANK'S UK retail banking division, reinforcing its commitment to small and medium-sized businesses. Mr Barry Taylor has been appointed divisional manager, commercial banking. His responsibilities will include the Lloyds Bank Commercial Services (LBCS) training programme, LBCS systems development, product development for the middle corporate market and other related activities. Mr Roger Bardell has been appointed to the newly-created position of divisional manager, small business services. He will be responsible for the development of the bank's range of services for the small business sector, including franchising and the business advisory service. Mr Taylor was previously senior manager at Aylesbury branch and he has been assistant regional general manager for the City of London and manager of the bank's Minories branch, also in the City. He succeeds Mr Philip Bowers, whose promotion to assistant general manager (commercial banking) was made recently. Mr Bardell recently returned to the bank from duties with its finance house subsidiary, Lloyds Bowmaker.

★

Following the formation of CGA FINANCIAL SERVICES, part of Fredericks Place Holdings the following appointments have been made: Mr Ronald Denham (chief executive of The Country Gentlemen's Association) chairman. Mr Stuart Goldsmith (chief executive of Fredericks Place Holdings) deputy chairman. Mr Stewart Jones—managing director and Mr Keith Owen—deputy managing director. Mr Victor Harvey, Mr Marcus Egerton, Mr Colin Studd, Mr Robin Hunter and Mr Timothy de Salis become directors.

★

Mr B. R. C. (Brian) Kemp has joined SIMON ENGINEERING from the Parkfield Group, where he was executive director. He will have overall responsibility for Simon's manufacturing companies, both in the UK and overseas, involved in access and fire fighting equipment; waste water treatment plants; cereal, feed milling and container machinery; and solids handling systems.

★

Mr David F. Osborne is to join the board of ELECTRA INVESTMENT TRUST as an executive director from August 3. He is chief executive of the Fountain Development Capital Funds, which are managed by Hill Samuel on behalf of several institutional clients and which specialise in management buy-outs and other later stage equity investment situations.

★

NEDERLANDSCHE MIDDENSTANDSBANK London branch has appointed Mr D. A. Douglas as deputy general manager. He was a senior assistant director of Standard Chartered Merchant Bank.

★

Sir Jeffrey Benson retires as a deputy chairman and director of NATIONAL WESTMINSTER BANK on July 31. He continues as chairman of the 600 Group. His successor as a NatWest deputy chairman is Mr Philip Wilkinson, formerly group chief executive.

★

Mr Michael Cartwright has been appointed regional general manager of HALIFAX BUILDING SOCIETY'S east region from August 1 as successor to Mr Roy Williamson who will retire on July 31. Mr Cartwright is currently branch development controller at the Society's head office.

★

NRG (UK) HOLDINGS has appointed Lord Tollemache as chairman. Mr Ronald R. Beanie (recently retired as director of the National Westminster Bank); Mr Anthony A. Best (a managing director of Charterhouse Merchant Bank); Sir Allan Davis (previous Lord Mayor of London and retired senior partner of Armitage and Norton); and Prof. Leslie Hannah (director of the business unit at the London School of Economics and visiting professor Harvard University, US), become non-executive directors. The board is completed by: Mr Jan H. Holsboer, vice-chairman, and Mr Steef Boerhout, director, (NRG Amsterdam); Mr John C. Cumming, managing director and chief executive; and Mr Kenneth W. Haddon, secretary.

★

Mr M. L. Pelham has been appointed a director of the CONDER GROUP. Within the group his role will be to identify ways of developing the existing businesses and opportunity for growth.

★

TMD ADVERTISING HOLDINGS has made the following appointments at subsidiary TMD Advertising from September 1: Mr Ray Kelly, managing director; Mr Philip Coulson, deputy chairman; and Mr Godfrey Mann, deputy managing director.

Malaysian Prime Minister appeals for investment

BY JOHANNA EIGEN

AN APPEAL to British businessmen to invest in Malaysia — the new "profit centre in Asia" — was launched yesterday by Dr Mahathir Mohammad, the country's Prime Minister. He promised that the Buy British Last campaign was dead.

He told an investment seminar organised by the Malaysian Industrial Development Authority, that the political climate in Malaysia had been stabilised and that the economy had been improving since the beginning of 1987.

Malaysia had introduced a new economic policy "which has been designed to reduce and eventually eliminate the identification of race with economic functions." Strongly disputing any comparison with racial inequalities in South Africa, he said: "Businessmen should not touch South Africa with a 10 foot pole."

Mr Datin Paduka Rafidah Aziz, Minister of Trade and Industry, said that the UK, "with its vast industrial experience" could help speed industrialisation in Malaysia.

Incentives to attract British companies into Malaysia, have apparently upset some of the more mature investors in the country.

One businessman voiced his concern that Malaysia was giving bonuses to new industries and ignoring those who took big risks years ago by moving their companies into the country.

The Prime Minister assured him that all businesses currently in Malaysia were making good profits and were in the right place for growth. The priority was to convince others that they should invest there and that their investment would be secure.

Defence budget will not be cut says Younger

BY LYNTON McLAIN

EVEN IF the Geneva arms talks were successful in scrapping cruise missiles and Soviet missiles, this would not lead to defence budget cuts, Mr George Younger, Defence Secretary, warned yesterday.

Speaking ahead of today's Cabinet discussions on public expenditure, he said "the West will still be faced with the need to preserve its ability to sustain its strategy."

He told a conference on the future of air power at King's College, London: "There is clear evidence of Soviet interest in an intermediate nuclear force agreement."

But he said he knew of no suggestions "that we would be able to cut our defence budgets if, as we hope, we see the back of some 1,000 Soviet nuclear missile systems in return for rather fewer of our own."

Mr Younger said: "We shall still be faced with the need to maintain effective nuclear deterrence." The West was now looking at how this should be done. He warned that "the other areas of our nuclear and conventional capabilities — none of them cheap — would be even more crucial in this respect."

Nato planners are studying how to maintain a capability that would pose an unacceptable threat to the Soviet Union, in the event of success in the Geneva arms talks to scrap cruise missiles and Soviet SS-20 and other short- and medium-range missiles.

The options are understood to include increasing the size of the US F1-11 bomber force in Europe, the introduction of stand-off weapons and submarine-launched cruise missiles.

Mr Younger said he saw a "very real danger in the climate of expectation that has been raised by the prospect of the first nuclear arms reductions.

"The danger is that this will give rise to a reduced willingness among the democratic nations of the West to support the expenditures necessary for our nuclear and conventional deterrence posture," he said.

Lawson criticises lack of help for sub-Saharan area

BY JANET BUSH

BRITAIN's fellow industrialised countries were dragging their feet on taking measures to help heavily-indebted nations in sub-Saharan Africa, Mr Nigel Lawson, the Chancellor, said yesterday.

In a speech to the all-party parliamentary group on overseas development, he strongly urged creditor nations to join an initiative to alleviate indebtedness in the poorest African countries.

His three-point plan, unveiled at the April meeting of the International Monetary Fund in Washington, suggests creditor nations should convert aid loans into outright grants, agree longer repayment periods and generous grace periods for other official loans and reduce the interest rates payable on these debts to well below market levels.

He said yesterday: "We have a moral responsibility, as well as an economic one, to some of the poorest countries in the world." He urged "those countries which have so far been dragging their feet to join in this initiative, so that we can agree a timetable for action at the international meetings this autumn."

His main criticism of other industrialised nations centred on lowering interest rates on sub-Saharan debt. He said there had not yet been enough support for his proposal from other creditor countries.

The Chancellor rejected the reluctance of some industrialised countries, notably the US, to lower market rates on this debt because of the budgetary cost involved.

"Clearly, this (lowering rates) is not to be undertaken lightly. But since there is no realistic prospect of actually securing anything like full repayment if rates are not reduced, we have to regard the cost as one that has been incurred already. The question is how we face up to it. My proposal is that we should do so in an orderly way over a reasonable period of years," he said.

The Chancellor stressed interest rate relief should be made available only to countries which were implementing satisfactory economic reform policies and his proposals on sub Saharan Africa were not a more general model for other debtor countries. Unlike the main debtors of Latin America, the poorest and most heavily-indebted countries of sub-Saharan Africa had no chance of returning to viability through their own efforts.

More generally, Mr Lawson commended the way commercial banks were now dealing with the debt problem on their books with a more realistic approach to making provisions.

Confidence among Scots companies 'increasing'

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

CONFIDENCE AMONG Scottish companies about business prospects is increasing, employment is growing and companies are raising their investment intentions, according to the latest Scottish Business Survey.

The report shows that a substantial number of manufacturing companies are experiencing higher sales and increased orders, even in depressed sectors such as metal manufacture and mechanical engineering.

The survey, carried out in June and early July by the Fraser of Allander Institute at Strathclyde University, says the manufacturing sector of the Scottish economy is in a relatively healthy phase.

Much of the demand comes from outside Scotland, it says. Exports do not appear to have suffered from the appreciation of sterling earlier this year.

Only in Aberdeen, which has been badly hit by last year's downturn in the oil price, does a small majority of companies report a more pessimistic outlook.

Optimism has also increased in the Scottish construction industry, with companies expecting increased private sector orders. Companies in Edinburgh, Dundee and Glasgow forecast increased employment, but those in Aberdeen expect a reduction.

Wholesalers also show increased optimism, although they report a reduction in employment over the past three months and expect further cuts. Overall retailing companies are optimistic, particularly in Glasgow.

The survey also shows that 35 per cent of companies in all sectors had difficulties recruiting employees in the preceding three months. The biggest shortages were of manual workers, but a lack of managerial, technical and professional staff was also reported.

Chancellor welcomes debt moves by banks

By Alexander Nicoll

MR NIGEL LAWSON, the Chancellor, yesterday welcomed as realistic the provisions taken by banks against their Third World debt exposure even though they force the Treasury to forgo a large amount of tax revenue.

His remarks raised some speculation among bankers that the Inland Revenue would adopt a more liberal attitude to tax allowances for problem debt provisions.

Addressing a House of Commons lunch, Mr Lawson said: "In the immediate future, at least, this increase in provisioning is bound to mean a significant cost to the taxpayer, since more tax relief will be due to the banks.

"This occurs under the normal rules for provisions against bad or doubtful debts. If any company's profits are cut back, the Exchequer is likely to get less revenue."

Treasury officials swiftly denied that his remarks signalled any change in policy. The guidelines used by the Inland Revenue, they said, had been set in 1983

Nevertheless, bankers found his remarks encouraging. They have complained for several years that the Inland Revenue was not accommodating towards provisions, and that its treatment of individual banks had been inconsistent.

If all of the £2.5bn to £3bn of provisions taken or likely to be taken by large UK banks were allowable for tax, forgone tax revenue could total some £1bn.

Mr Robin Monro-Davies, of the credit analysis firm IBCA, said: "The Chancellor's comments are an exciting change as up to now the UK tax authortiies have been among the most niggardly in allowing provisions for sovereign debt. If the Chancellor's words are translated into action by the Inland Revenue, it will mean that only two major countries, the US and Japan, have not moved in this direction."

Ore carrier loss 'caused by steering failure'

By Kevin Brown, Transport Correspondent

THE LOSS of the Hong Kong-registered ore carrier Kowloon Bridge off the Irish coast late last year was caused principally by steering failure, a Transport Department inquiry reported yesterday.

The findings will silence claims that the Kowloon Bridge suffered from structural problems of the sort thought to have troubled several sister ships.

The ship, originally named English Bridge, was one of six built by Swan Hunter on the River Tyne between 1971 and 1976.

One of the ships, the British-owned Derbyshire, sank with the loss of all 44 crew in the Pacific in 1980. Two years later the crew of the Tyne Bridge, later renamed East Bridge, were airlifted from the North Sea after cracks developed.

There have been reports of similar problems with the three other ships of the class. An inquiry into the Derbyshire casualty is due to take place in London in October.

The Transport Department report says no-one was to blame for the Kowloon Bridge casualty, which was caused by the failure of steering gear and damage to the rudder in "atrocious weather."

The crew of 28 was evacuated by RAF helicopters. Salvage attempts were abandoned after a line put aboard by the crew of a tug was parted by "exceptional seas."

NatWest mortgage rate

NATIONAL WESTMINSTER has cut its mortgage rate for existing borrowers from 11.25 per cent to 10.5 per cent, and not to 10.15 per cent as printed in the Financial Times yesterday.

Clive Wolman looks at why broker W Greenwell is threatened with disintegration

Midland pays the price for lack of strategy

THE increasingly threatened disintegration of W. Greenwell, which before last October's Big Bang reforms was considered one of the UK's top five stockbroking firms, marks the climax of a series of errors made by its partners and its new owners, Midland Bank.

The eyeball-to-eyeball confrontation between Midland's directors and Greenwell's key analysts and salesmen has arisen because Midland has not been willing to give up its UK equities business, which it sees as part of its global network, but nor has it developed a strategy for making the business viable.

The original deal to purchase Greenwell was negotiated in early 1984 by Mr Stefan Gadd, chief executive of Samuel Montagu, which at the time was only 60 per cent owned by Midland. The clearing bank board was not closely involved and its enthusiasm for the deal extended only as far as Greenwell's thriving business in gilt-edged securities, rather than equities. Even at that stage, several of the Greenwell partners protested against the terms, and the sale price had to be renegotiated before Midland took 100 per cent control in May 1986.

After Mr Gadd was compelled to resign, Midland took much tighter control of Samuel Montagu through his successor, Mr Bob Logan. One of the factors which led to Greenwell's undoing was his insistence, against the advice of consultants, that Greenwell's market-makers should use a computer information system developed by a small company, Electronic Banking Systems, with which he was associated. Mr Logan subsequently also resigned.

In addition to the inadequacies of the EBS system which was supposed to allow the market-makers to control their books and set their prices, Greenwell's equity business post-Big Bang suffered from two other handicaps.

One was Midland's failure to acquire a jobbing (market making) firm in contrast to Barclays and NatWest, its two main clearing bank rivals. In the first nine months after Big Bang, the traditional Stock Exchange jobbing firms have performed outstandingly well.

Midland's approach was to recruit a market making team. According to one former Greenwell's partner: "It was a very expensive recruiting campaign but I'm not sure it was very successful. We picked up people with experience of trading in other markets and some of them were not up to equity market making which is very different."

The lack of a strong market making team led Greenwell to dopt a different method of charging institutionl investors for executinag their trnsactions which the institutions considered eccentric and an unnecessary complication.

Bob Logan: opposed consultants' advice

Greenwell's other handicap was its back-office administration. It has been one of several securities firms whose failure to process efficiently the additional ppaerwork generted by the much higher volume of transactions since Big Bang has led to the massive backlog of unsettled Stock Exchange bargins. In the end, Midland made good use of its clearing bank experience of paper processing by sending in a team to disentangle the mass of unplaced contract notes.

The vulnerability of Greenwell's institutional equity business was highlighted by the decision to split it off from its more successful gilts market making operation, where it is still ranked in the top three or four, and its private client business.

As a result of these handicaps, Greenwell's institutional clients cut their orders, even though Greenwell retained strong teams of analysts covering the financial sector, chemicals and pharmaceuticals.

More serious, its market makers suffered a big trading loss in the first few months after Big Bang. Some Greenwell employees blame the loss on Midland's failure to inject more capital into their business which would have allowed it to hold a large inventory of equities in a rapidly rising stock market. Others say the market makers made poor deci sions about market movements.

Matters came to a head in March. Midland decided that Greenwell's equity market making would not become profitable for at least two years.

Late one Friday evening, an announcement was made on the tannoy, without any warning even to senior staff, that the firm was withdrawing completely from market making as of Monday morning. As a concession, Midland agreed to unlock the golden handcuffs on the former partners of Greenwell, and five directors left almost immediately, including the leading chemicals analyst, Mr Stuart Wamsley. Another 20 of the market-making team also left.

A few firms, in particular James Capel, have continued to thrive since Big Bang by sticking to traditional agency stockbroking, in which orders are carried out on behalf of clients but the firm does not trade itself. However, having built up the infrastructure of a market making operation, Greenwell could not generate enough of investors' sharply reduced commission payments from agency business to cover its costs.

Greenwell's directors considered the possibility of exploiting the collection of securities firms and investment banks that Midland and Samuel Montague have assembled in Scandinavia, Germany, the Pacific Basin and elsewhere. The aim was to build up the volume of sales of shares in one country to investors in another. But Greenwell's continuing losses, and the apparent lack of commitment from Midland made recruitment of senior staff almost impossible. Instead the resignations began to gather pace.

Ward rather coy about assets, court told

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

MR THOMAS WARD, the former director of international drinks group Guinness, who has been ordered by the High Court to repay £5.2m he received from the company, was being "rather coy" about his assets, the court was told yesterday.

Mr David Oliver, QC, for Guinness, said Mr Ward had given information about three assets he described as "illiquid," but had said nothing about any liquid assets out of which he could repay Guinness.

Mr Oliver said the history of the litigation showed that Mr Ward had "a propensity for channelling funds to which he claims to be entitled" into tax havens such as Jersey and Switzerland.

Mr Ward was a man of considerable substance but at the moment was not offering Guinness anything, said Mr Oliver, who was opposing Mr Ward's application for a stay of the judgment pending his appeal.

In an affidavit supporting his application, Mr Ward listed as illiquid assets his home in the US, his interest in the Washington law firm of Ward Lazarus and his right to recover $4.7m of the £5.2m he has paid in US taxes.

Mr Oliver said Guinness was not trying to bankrupt Mr Ward pending the appeal, but the company would consider enforcing its judgment against his interests in his home and the law firm if he did not move quickly on the appeal. It had been indicated this could be heard on August 11.

Questioned by Sir Nicolas Browne-Wilkinson, the Vice-Chancellor, Mr Peter Curry, QC, for Mr Ward, said he had no information about Mr Ward's liquid assets.

The judge refused a stay but said Mr Ward could re-apply if Guinness tried to move against his home or law firm before the appeal. Mr Ward would then have to give information about his liquid assets, Sir Nicolas said.

Last week the judge held that the £5.2m Mr Ward claimed was paid for his "valuable services" during Guinness's takeover bid for Distillers belonged to Guinness because the payment had not been disclosed to its board, as required by its articles and the Companies Act.

After that ruling, Guinness's lawyers said that when the available part of the £5.2m had been gathered in Mr Ward would still owe about £1m, a shortfall of about £500,000 and interest of about the same on the total amount.

Alternative to leasehold of flats proposed

By A. H. Hermann

COMMONHOLD, a new form of flat ownership, has been proposed in a Law Commission report published yesterday. Commonhold, another name for the US condominium, would provide an alternative to freehold and leasehold ownership, combining their advantages and removing some of the disadvantages.

The system would enable flats to be bought, or those already owned transformed, as common hold, to a form of complete ownership. It would also take care of the mutual rights and obligations of all those occupying flats in a single block, whether purpose-built or converted from a family house.

Commonhold would have standard documentation which would make conveyancing simple and cheaper, and would provide state guarantee for owners' rights recorded at a Land Registry.

One of the problems with a leasehold flat is that once the lease is reduced to 40 to 50 years, the flat becomes unmortgageable and unsaleable.

In most cases, it is possible to acquire the freehold, but this creates a problem with the succession to the mutual rights and duties of flat owners in a block.

Commonhold ownership would become permanent and therefore, easily saleable while mutual rights and obligations would be passed with the flat to the new owners.

The Law Commission. Commonhold. Cm paper 179 S.O. 111 pp. £7.90.

May trade shows £561m deficit

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE current account of the balance of payments moved into a £561m deficit in May, following a surplus of £96m the previous month, according to figures released yesterday by the Trade and Industry Department.

The figures show a £1.16bn shortfall on visible trade — reflecting the combination of a sharp rise in imports and a fall in exports — which was only partly offset by an estimated £600m surplus on trade in invisibles.

CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS (£m, seasonally adjusted)

	Current balance	Visible trade balance	Exports fob	Imports fob	Invisibles balance
1985	+3,450	−2,178	78,111	80,289	+5,628
1986	− 120	−8,253	72,843	81,096	+8,133
1986 Q1	+1,064	−1,227	18,164	19,391	+2,291
Q2	+ 163	−1,551	17,786	19,337	+1,714
Q3	− 762	−2,873	17,553	20,426	+2,111
1987 Q1	+ 667	−1,135	19,637	20,772	+1,802
Apr.	+ 96*	− 504	6,572	7,076	+ 600*
Jan.-May 1987	+ 202*	−2,800	32,498	35,298	+3,002*

* Invisibles for April and May 1987 are projections.

Taking the three months March to May together, the volume of exports was 3½ per cent lower than during the previous three months, although 6 per cent higher than the same period a year ago. If oil and erratic items are excluded there was a 4 per cent decline between the two latest three-month periods.

The department said this suggested that the underlying level of exports had fallen from the high levels seen at the turn of the year.

The volume of imports showed a fractional decline over the latest three months compared to the previous three months, but stood 7 per cent higher than a year earlier. If oil and erratic items are excluded the increase over the year was 7½ per cent.

The department, traditionally wary of giving too much weight to one month's figures, said it was too early to assess whether the sharp increase in the volume of imports in May represents a change in the underlying trend.

For the first five months of the year the current account has shown an estimated surplus of £202m. In his March Budget, Mr Nigel Lawson, the Chancellor, forecast a deficit of £1.5bn for the whole year.

Independent forecasters confident

BY OUR ECONOMICS CORRESPONDENT

INDEPENDENT forecasters remain confident about economic growth prospects over the next two years but expect the balance of payments current account to show a widening deficit.

The Treasury's latest review of the consensus among outside forecasters, published yesterday, shows an average projection for output growth of 3.1 per cent this year and 2.5 per cent in 1988.

Inflation is generally expected to remain subdued, if on a gently rising trend. The review points to an annual retail price inflation rate of 3.9 per cent in the last quarter of this year and 4.4 per cent in the final quarter of 1988.

The forecasters are less optimistic about the trade outlook. The consensus, prepared before yesterday's unsettling May trade figures, points to a deficit on the current account of £1.1bn in 1987 and twice that next year, leading to a gradual depreciation in sterling's value from its present index level of 73 to just below 70 by the end of 1988.

On balance, the forecasters see interest rates staying near their present 9 per cent level for the next 18 months, although those in the City predict a slight increase to 9½ per cent late next year.

Property 'to provide BR with £200m'

By Paul Cheeseright, Property Correspondent

BRITISH RAIL Property Board expects to contribute £200m to BR's cash flow during the financial year to next March, Mr Douglas Leslie, managing director, said yesterday.

This would represent a 32 per cent increase on the previous year's contribution and would bring property activities' gross contribution to British Rail finances to £1.25bn since 1970.

The property board manages the British Rail estate and is responsible for selling land surplus to operational needs. It has been exploiting the development opportunities of its property holdings to finance such things as capital works at main railway stations.

In the year to last March, the board had gross rental income of £75m, up £5m on the previous year, and gross earnings from property sales of £102m, up £21m on 1985-86.

Presenting these figures, Sir James Swaffield, the chairman, said big property developments would continue to be carried out on a joint venture basis with private sector companies. The board maintains equity interests while private sector developers fund the projects.

The biggest such development is the Broadgate office complex at Liverpool Street station in the City. The board is deriving a stream of income from Broadgate which reached £18m in the last financial year, and expectations of an increase in revenue from the development underpin the forecast of increased earnings for the current year.

Last year the board completed 1.4m sq ft of development, including 670,000 sq ft of retail space. It has another 1.3m sq ft under way. Land sales totalled more than 3,600 acres in 1986-87 and current holdings of non-operational land amount to 13,821 acres.

Bank of Wales joins loans scheme

THE BANK of Wales has joined the loan guarantee scheme as a participating lender, the Employment Department said.

The scheme was introduced in 1981 to facilitate loans to small companies where finance was not available on conventional terms due to a lack of track record or inadequate security. There are now 24 participating lending institutions.

PO profit up as volume of mail increases

BY DAVID THOMAS

A 6.7 PER CENT increase in the number of letters sent last year was the main reason behind the Post Office's record profits for the year to April 1.

Sir Ron Dearing, Post Office chairman, reported pre-tax profits for the year of £170m (£167m) on turnover of £3.47bn (£3.25bn) for the year and said an extra 800m letters had been posted.

Sir Ron argued that profits would have been higher had the Post Office not delayed price increases for stamps last year.

The corporation's letters, parcels and counter businesses in its postal group reported unchanged profits of £150.3m on turnover of £3.37bn (£3.16bn). Results for the Girobank subsidiary are stated separately.

The postal business paid to the Government £93.1m as an external financing limit against a target of £93m. Unit cost reductions were 1.4 per cent, against a target of 1.5 per cent.

The Government has cut the external financing limit for the postal business to £57m this year, reflecting a planned increase in capital spending by the Post Office, mainly on buildings and computers.

The Post Office plans to invest £143m this year and £160m next year, compared with £116m last year, all in 1986-87 prices.

The Post Office's quality of service improved marginally against its targets last year. About 87.7 per cent of first class letters were delivered the day after posting, against a target of 90 per cent.

The Post Office is spending heavily to improve its quality of service. Sir Ron added that of the 2.3 per cent shortfall, 1.5 per cent was accounted for by unofficial industrial action.

The Post Office said it would need about 20,000 extra workers, both full and part time, to cope with continuing growth in letter volumes over the next five years.

Last year, there was an increase of about 4,000 full-time and 3,800 part-time workers to bring the corporation's workforce to more than 200,000.

Sir Ron also pointed to the Post Office's increased efforts to cut down on evasion of television licence payments.

In 1986, there had been a 42 per cent increase in prosecutions and a 14 per cent cut in evaders. The number of licences held increased by 255,000, worth £13.5m.

Interest payments receipts increased from £26.5m to £40.1m, through a drive to cut working capital, which was a further reason for the increase in group profits, Sir Ron said.

BA-BCal monopoly probe urged by consumer body

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE proposed merger between British Airways and British Caledonian should be referred to the Monopolies and Mergers Commission because it raises "significant issues of public policy," says the National Consumer Council, the public's watchdog, in a submission to Sir Gordon Borrie, director-general of fair trading.

Mr Michael Montague, council chairman, says he sees a clear need "to distinguish between the tangible assets of BCal, its aircraft, buildings, personnel and even its goodwill, and its route licences and access to airport slots" (take-off times at Gatwick).

Mr Montague points out that "the former type of assets are potentially available to anybody, while the latter have been acquired by BCal through the operation of public regulation and have, therefore, been unavailable to other potential operators."

The council's submission questions BCal's legal right to sell all its route licences to BA. Irrespective of the legal position on licences and slots, it argues, there is an issue of public interest in whether airlines ought to be able to sell them.

Mr Harry Goodman, chairman of International Leisure Group, which has offered to buy BCal's short-haul European and domestic routes for £50m, has outlined to MPs the market power of a combined BA and BCal.

Based on 1986 output, the combined airlines would have 92 per cent of all UK airlines' scheduled seat-miles; 84 per cent of their scheduled cargo traffic; 98 per cent of mail traffic; an estimated year-round 60 per cent of peak slots at Gatwick; 74 per cent of UK airlines' personnel; and 81 per cent of their commercial staff.

Mr Goodman also points out that, on short-haul European routes, the combined airline would have 90.7 per cent of total UK scheduled traffic to Amsterdam; 95 per cent to Brussels; 100 per cent to Copenhagen and Frankfurt; 99.9 per cent to Geneva; 94.6 per cent to Munich; 98 per cent to Paris and 84.5 per cent to Zurich—a monopoly position that would spell the end of an effective British independent.

British Island Airways has also said it would make the strongest possible representation to the OFT on the proposed merger.

Airlines complain about 'exorbitant' BAA charges

BY OUR AEROSPACE CORRESPONDENT

AIRLINES SERVING airports owned by the newly-privatised BAA, are seeking a meeting with the Civil Aviation Authority to complain about what they allege are exorbitant monopoly charges for services.

The Board of Airline Representatives in the UK, which represents more than 80 national and international airlines, argues that while a strict pricing formula is laid down for "traffic" charges—that is, handling aircraft—there is no comparable control over commercial charges for services such as office accommodation, check-in desk rentals, car park passes and air-jetty fees.

All of the latter are essential to normal airline operations "but are subject to no control whatever and lie entirely at the whim of BAA management," according to the board.

"Although air-jetty charges are already 20 per cent higher than at Gatwick, the BAA initially proposed an increase for Heathrow of 35 per cent for 1987-88," the board said.

"Not surprisingly, this produced a furious outcry from the airlines, whereupon the BAA blandly announced that on reconsideration the increase would be 10 per cent, still more than twice the current rate of inflation."

The airlines do not deny BAA the right to recover costs or make an adequate return on investment but they believe BAA may have exploited its privileged position.

The airlines would like to see a formula for charges in the commercial area, similar to that which governs charges in the traffic area.

● The seven airports owned by BAA collectively handled 6m passengers in June—a rise of nearly 16 per cent on the total for June 1986, when traffic was hit by a fall in US visitors.

The June result brought the total passenger figure for the previous 12 months to 57.8m, an 8.6 per cent rise over the previous 12 months.

Manchester airport to build £27m terminal

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

MANCHESTER AIRPORT is to build a £27m domestic terminal to help it develop more quickly, both as an international gateway and Britain's Northern air services hub.

The terminal will allow more inland feeder services to connect with growing numbers of scheduled overseas flights. It will have 11 gates, including three stands for wide-bodied aircraft, and will be built mainly on the site of a 25-year-old domestic pier, which will be demolished.

To ease growing pressure on existing facilities from local users, the terminal will have its own access roads, multi-storey car park, check-in, shops and lounges.

The project, which the airport is financing from its own resources, will begin next month and is scheduled for completion in April, 1989.

It will increase the airport's capacity by 2.5m passengers to 12m a year by 1992. Last year the airport handled 7m passengers, and this year is expected to pass 8m. It handled 1m passengers in a month for the first time in June.

Domestic traffic accounts for 19 per cent of passengers. The terminal will provide breathing space while a phased development of a second, international terminal takes place.

David Thomas on the achievements of the Post Office's soon-to-retire chairman

Dearing's reign carries stamp of success

SIR RON DEARING was understandably relaxed when announcing his early retirement as chairman of the Post Office yesterday.

He took on the job in 1981, when it was widely regarded as one of the most thankless tasks in British industry. What's more, the new Post Office chairman appeared to have come off worse from the division of the postal and telecommunications businesses which had just taken place.

British Telecom, spun off from the postal business, seemed the exciting place to be. It was the big profit-earner, the centre of technological advance and the great hope of Britain's information technology industry.

The Post Office, by contrast, appeared a boring backwater, marked by low productivity and customer dissatisfaction.

Letters seemed vulnerable to the new age of electronic messaging, being spearheaded by the Post Office's previous colleagues at BT. In a few years, it appeared, there might be nothing left for the Post Office to do but deliver love letters and holiday postcards.

The pundits who argued this line could hardly have been more wrong. Indeed, Sir Ron might be excused a wry smile as he reflects on his leaving the Post Office just as BT's public image hit an all-time low.

The Prime Minister went out of her way to rule out privatisation of the Royal Mail, the Post Office's core, during the general election. This puts it in a unique position among nationalised industries, even though Mrs Thatcher was probably largely reflecting Conservative Party concern at how privatisation could hit rural postal services.

Even so, it was a remarkable testament to how the Post Office's reputation has been transformed under Sir Ron.

The main reason for the turnaround is that the predictions of declining growth or absolute decline in the letters business were hopelessly wrong. The Post Office yesterday reported a 6.7 per cent increase in the number of letters posted last year, contributing to a 25 per cent jump during the past five years.

New ways of sending messages, such as electronic mail, failed to take off as quickly as most people expected. And the new courier services, important in certain mail blackspots such as central London, have only nibbled at the edges of the growth in volume of letters.

Far from having to manage a declining business, fresh demands have been made on the Post Office. Promotional campaigns for privatisation issues and the use of share registers for mass mail-shots are two examples. Direct mail advertising, one of the fastest-growing forms of advertising, now accounts for 10 per cent of deliveries.

Yet the growth in volumes of mail also owes much to Sir Ron's strategy on prices. "No more than one price increase in a year and never more than inflation," is how he summed it up yesterday.

Underpinning the ability to keep its prices down has been a drive by the Post Office on its unit costs—which have been cut by an equivalent of £340m a year over the past five years.

It has just reorganised itself into four separate businesses—letters, parcels, counters and Girobank. The management says this will lead to further efficiency improvements, though the benefits have yet to feed through to customers to any great degree.

At the heart of the modernisation moves, however, have been a series of innovative productivity deals with its unions—it is one of the most labour-intensive businesses in Britain, spending £2.29bn out of its £3.34bn operating costs last year on staff.

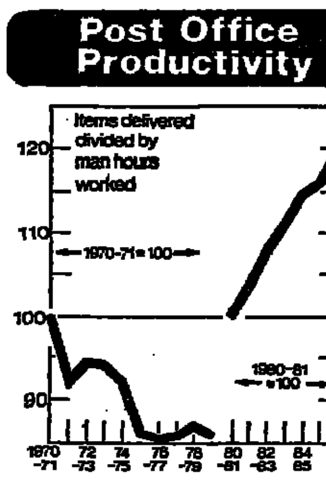
Under Sir Ron the Post Office has negotiated radical reforms of working practices and more use of part-time workers to cope with peaks and troughs of demand. National postal strikes have at times appeared likely as the moderate leadership of the Union of Communications Workers, the main postal union, has tried to sell the deals to often reluctant activists.

Indeed, one of the main problems the new chairman will inherit from Sir Ron is the need to drive through the deals in some districts which are still resisting them. The friction has led to local unofficial disputes, particularly in parts of central London.

The other main demand on Sir Ron's successor is for a better quality of service. The Post Office has consistently missed its target of having 90 per cent of first-class letters delivered the day after posting.

Overall, however, Sir Ron has presided over a transformation of the Post Office's fortunes almost impossible to imagine when he took office.

That is reflected in the words of praise heaped on him yesterday by the consumer lobby, not often quick to compliment those on the other side of the fence. Mr Julian Blackwell, chairman of the Mail Users' Association and of the Blackwell group, said: "Ron did an exceptionally good job. He was very nice, very thoughtful and very tough. He got it right."



SOURCE: POST OFFICE


SIR RONALD DEARING

Girobank launches after-hours service

By David Thomas

NATIONAL GIROBANK, the Post Office's banking subsidiary, is launching an experiment in which customers can telephone its clerks in the evenings or at weekends about their accounts.

Mr Malcolm Williamson, Girobank managing director, said this customer contact approach was part of Girobank's attempt to evolve "a highly personalised, mail order approach to banking."

Mr Williamson is concerned to develop other ways for the bank's 2m customers to contact the bank so they do not have to rely solely on post offices, which are engaged in a variety of other business.

He was speaking after Girobank reported pre-tax profits on a historical cost basis up 19 per cent at £23.1m on turnover of £328m (£292.2m) for the year to April 1. It repaid £9.1m to the Government against an external financing target of £5.8m.

With the agreement of its unions, Girobank has launched a trial in the north-west and Midlands whereby personal customers are given the names of two or three clerks whom they can ring at the bank's regional offices out of normal office hours to discuss their accounts or the bank's services.

MANAGEMENT: Marketing and Advertising

A jaundiced view of the image makers

David Churchill on attitudes to financial public relations

THE GLAMOUR world of financial public relations in the UK has left something of a sour taste with Peter Youdale, chairman of the Pirbic Group.

Pirbic is a small but well-established sales and management training company which last year decided it was time to seek a USM listing. So it thought it needed some financial PR to raise its profile with chief executives and potential shareholders.

"With hindsight, our desire for financial PR advice was perhaps the worst decision we ever made," suggests Youdale. "I was appalled at the poor quality of service and people in PR that we met—it was certainly far different from the image they try to portray."

Youdale's disenchantment with financial PR (although he has since found one—Leadenhall Associates—that fills his needs) is, however, probably still only a minority view about what is one of the fastest growing sectors in the marketing arena.

The raging bull market, Big Bang, a spate of privatisations, and the plethora of mega takeover bids in recent years have together sparked a corporate awareness of the need to communicate to various financial groups—from shareholders to fund managers, from employees to overseas investors

This need for specialist communications advice has spawned a clutch of PR groupings eager to provide a service — for not inconsiderable fees — to top companies throughout Britain. An estimated £25m was spent on financial PR last year in fee terms alone — representing about a quarter of total spending on all PR consultancy services in the UK.

But increasingly there are mutterings of discontent among the boardrooms of Britain. "There are rather too many 'Hooray Henry' types around and not enough professionalism," is the view of one managing director of a large company which has gone through a succession of financial PR consultancies.

Bob Worcester, chairman of the MORI research organisation, last week confirmed this message in a speech to senior PR professionals. "Public relations has an image problem itself among some of its key audiences," he said. "Like weeds, these negative perceptions of the industry, if continued to be unattended can suffocate the healthy growth around them."

MORI research shows that between 1985 and 1986, the reputation of PR among two key City audiences — institutional investors and financial journalists — has declined sharply.

The reaction of the business press, pointed out Worcester, was particularly worrying. The decline in reputation of PR among journalists would "in political polling parlance be described as a 29 per cent swing against the industry."

Only the tobacco industry, he added, attracted more criticism.

Even financial PR companies themselves are worried by this trend. Piers Pottinger, chief executive of Lowe Bell Financial (which used to be called Good Relations City) believes that some companies "have had their fingers burnt by financial PRs and may be more cautious in future before they use PR again."

He particularly cites the problem of some consultancies "dreaming up ever more sophisticated and expensive financial advertising, PR, and research services which only confuse clients and encourage them to pay more than necessary." Lowe Bell's policy, he says, is "to stick to traditional financial PR — 99 per cent of which is good press relations and dealing with fiinancial analysts."

Many senior executives in client companies are also privately very unhappy with their financial PR advisers but are reluctant to air their criticisms in public. Pirbic's Peter Youdale, however, firmly believes that financial PR will only improve if its faults are made public.

Briefly, his experience of the last year started when he wrote to 20 leading financial PR companies seeking their help. Nearly half did not even bother to reply and the rest failed to inspire much confidence in Youdale.

Eventually Valin Pollen was asked to carry out a short-term project — publicity for a management buy-out — at a cost of £2,000 plus expenses.

No publicity was generated and Youdale and Valin parted company.

Reg Valin, chairman of Valin Pollen, said yesterday that he regretted that Pirbic was unhappy with financial PR. "But over the past year we have not lost any of our financial PR accounts and have also won some 23 out of the 25 investor relations accounts for which we have pitched."

Youdale then mentioned his problems with financial PRs in a letter published in the FT leading, not surprisingly, to another 19 PR companies offering their services.

Youdale's experience this time was hardly any better. His criticisms fell into four main categories and were echoed by other companies. They were:

- the people pitching for the business were generally senior people in the PR consultancy, while the people likely to handle the account would be junior executives;
- during presentations, the the financial PRs seemed more interested in talking about themselves than in establishing the communication needs of Pirbic;
- some consultancies had little real expertise in financial PR, being consumer PR specialists eager to jump on the financial PR bandwagon;
- Some of the consultancy personnel seemed to lack what are euphemistically called "inter-personal skills." "We were introduced to a large, bored-looking character who chain-smoked and smelt of alcohol," recalls Youdale. "Subsequently, we learned he was an ex-journalist famous for his contacts in City pubs with journalists and others."

Perhaps the most surprising aspect of the whole financial PR boom is that, in spite of comments like these, many companies are so willing to hire PR advisers.

"Growth is coming from a number of key areas," points out Richard Sermon, deputy chairman of Shandwick, a leading financial PR specialist. "There is likely to be a resurgence of major takeover activity, following the election, and many more companies are aware of the importance of investor relations," he adds.

Acting for a company in a takeover bid is tantamount—in the PR world — to having a licence to print your own money. One consumer PR company, for example, which was caught up in a mega takeover bid last year earned some £500,000 in extra fees during the three-month bid battle. The consultancy's normal fee income from that account was closer to £100,000 a year.

Not surprisingly, this has led to many consumer and other types of PR companies seeking to join the financial PR world. Biss Lancaster, for example, has developed from travel and retail PR into financial, working for both S. W. Berisford and Barker and Dobson.

"We felt that the existing City PRs were a bit of a closed shop," points out Adele Biss chairman of Biss, Lancaster. "We realised that there was no mystique in financial PR and that by adding our creative flair we could develop corporate communications for our clients."

One alternative is to make more use of in-house specialists. Two years ago Morgan Grenfell appointed an in-house PR adviser to work with outside consultants, a move subsequently adopted by other financial insitutions in the City. "Our outside advisers are our 'eyes and ears' while we look at strategy," points out Byron Ousey, head of PR.

"WE'VE COME UP WITH RATHER A WHACKY SCHEME — WE'D LIKE YOU TO HAVE YOUR COMPANY LOGO TATTOOED ON YOUR FOREHEAD, MR SWAGGART."

Why designers need to improve dialogue with clients

Feona McEwan reports that companies are confused, among other things, by inconsistent costing among design consultancies

THE UK may be in the midst of an explosion of interest in design but when it comes to how they should handle the design process most companies are still in the dark ages.

If the findings of a new survey are to be believed, the way companies evaluate design work, choose consultants and manage design projects has more to do with a whim and a prayer than with any structured and comprehensive approach.

Everyone can quickly grasp, more or less, the form for handling advertising agencies and even public relations companies. The rules are etched in custom and practice. But the newer discipline of design, whether the project is corporate identity, packaging, retail or product, poses companies a teaser.

In order to reach a better understanding of the design/client connection, the newly formed Design Business Group, which is made up of the UK's leading 200 consultancies, set out to investigate company attitudes to the design industry. Results showed that the client/consultant dialogue, for all its achievements, is in many areas wanting.

Altogether 52 senior managers (from MD and marketing directors to brand and product managers) from 25 blue chip companies were quizzed in depth. So full of views were the interviewees that though the research company Pegram Walters initially requested just 20 minutes of time, meetings lasted between 60 and 90 minutes. Companies interviewed included major retailers, fast moving packaged goods companies and manufacturing businesses.

One point to emerge was that companies boasted rosters of consultancies under contract that in other fields would be regarded as unwieldy. One brewery admitted that it had up to 32 consultancies working simultaneously for it. However, more common among those interviewed was a raft of six to 10 consultancies. In advertising, by comparison, a clutch of three or four agencies attached to the largest companies is generally regarded as plenty at any one time.

An issue that needled all companies interviewed was the business of costing. "There's still a feeling of being ripped off," says Jan Hall, spokesperson for the DBG.

What price an idea or creative concept is never an easy issue but what companies find particularly confusing is the lack of consistency in costing among different consultancies. Some tend to weight the creative input at the start of a project while others weight the production costs at the end. Given that companies, with very few exceptions, have no design budget as such, finance continues to be a sticking point.

Jan Hall concludes that consultancies must therefore make clearer the added value of their work.

On the whole, clients choose a consultancy primarily for its creative reputation — but they want "controlled creativity" — though they admit they are ill-equipped to judge this. Many claimed they had no one in-house capabl eof judging.

One of the loudest messages to emerge from the survey was the plea from client companies for more training in design management. This endorses what most consultancies know only too well—the dearth of design managers in companies who can manage the whole design process. Even in companies enlightened enough to have such managers (like British Rail, Olivetti) it is no secret that they are a rare species. One of the problems is they have no obvious breeding ground.

Certainly designers recognise the problem and are poaching talent from the advertising industry because of its known superior account handling capability.

Stemming from client companies' lack of management expertise, it emerges that design projects are often threatened when younger managers, who have the power of veto of a design project, are put in charge. This is particularly true for packaging and product design though not for corporate and retail projects which tend to be treated as more important and so are handled at a higher level within the client company.

On August 11, members of the DBG and interested client companies with a contribution to make will get togethe rto discuss the survey's findings—a sign that the design industry is, indeed, putting its house in order.

Marketing abstracts

Sales training. P. Forsyth in Marketing (UK), February 26 1987 (2 pages).

Points to the increasing use of technologies in sales training, with "chalk and talk" being replaced by things like computer simulation and interactive videos; warns, however, that technical package designers must have a genuine knowledge of how training works, the market it must work in, and an understanding of sales techniques if training aids are to be successful. Briefly runs through the main groups of techniques now available—eg simulation games, programmed learning, films and videos—but argues there is no "best buy."

Service positioning through structural change. G. L. Shostack in Journal of Marketing (US), January 1987 (10 pages).

Takes McLuhan's idea of a service's process equating to "the product," questions whether processes can be managed for positioning purposes in the same way as physical goods are; sees processes as structural elements and looks at how they can be "engineered" for strategic positioning; outlines how services can be analysed according to their complexity and divergence and restates the "blueprinting" technique for mapping a service's dynamics, illustrates this with examples of a florist, a bank, and a general practitioner; lists structural changes which can be made, eg reducing complexity, and discusses implications of implementing change.

Sales lead generation from direct mail. A Graddon in Direct Marketing (US), February 1987 (2½ pages).

Reports on how Bombardier introduced a new tractor for a widely dispersed market consisting of domestic consumers who would require the compact, multi-purpose product for lawn care, and business consumers, such as those in parks and recreation; describes how lead generation was created through a highly-targeted mailing, involving a questionnaire to establish that the audience was the right one; notes that they received a 6 per cent response (4,000 leads in all) and were so overwhelmed that a similar lead-creating exercise had to be carried out to find some dealers.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p & p, cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

Aix-en-Provence Festival/Max Loppert

Gluck outshines rain and neglect

The Aix-en-Provence Festival has this year been celebrating its 40th birthday. Most things—schedule, casts, performances—have gone off admirably: this remains one of the genuinely festival European festivals. But the weather started to play a rather undermining role at mid-point in the celebrations, producing grey skies, cool winds, and, during the concert performance of *Iphigenie en Aulide* conducted by John Eliot Gardiner, outbreaks of dripping that caused umbrellas in the open-air Archbishop's Palace theatre to go up and down with comical insistence.

For such a superb performance, however, I would have been prepared to get a good deal wetter. Gluck and Lully, the two main anniversary composers of 1987, are being marked in the Aix schedule; but Lully's *Psyche* is being fully staged (more of that in a later report), unlike Gluck's *Aulis* opera. And so, as in London last month the fierce theatricality of the latter has had to be suggested rather than fully demonstrated.

But by Gardiner and his Opera de Lyon Orchestra and Monteverdi Choir, it was indeed suggested, with a confident command of musical and dramatic style that proved utterly enthralling: after such a performance, which seemed to absorb and elevate performers and audience alike, the doubts that have been expressed (by Wagner and others) about *Iphigenie en Aulide* seemed impossible to sustain further.

In the London performance the singing was fine, the orchestral execution rough; at Aix, both were in eloquent partnership, for the supple shaping, springy rhythms and poised balance of the instrumental parts supported the voices, drew the drama directly out of the notes.

The beauty of sound underpinning such passages as the wedding march and quartet of Act 2 was a constant delight—not just for itself (though when Gluck is understandingly performed the plainness of his writing turns to extraordinary radiance) but *for the way it* tapped the essence of the drama. In the Agamemnon of Jose van Dam the occasion found its particular focus and summary. This is one of Gluck's greatest roles; he is one of the day's few great singers. In a handful of places one sensed that the music was still fairly new to him; but the concentration on fine line and control of bass-baritonal colour, and the intimation of an immense sadness lying behind every purely-uttered word, were already rare Gluck qualities.

London and Aix have shared John Aler's brilliant Achilles; the women in both performances have shown how rich and rewarding their roles are. Lynne Dawson, taking Iphigenia at short notice, sang with ravishing sweetness; Anne-Sofie von Otter's Clytemnestra was very truly handled, a little less grand in stature than Eiddwen Harrhy had been at Spitalfields. Aix chose the 1775 revision of the work, in which the goddess Diana descends to solve the conflict. Guillemette Laurens' dignity made much of the moment; it did not seem a momentary dramatic regression.

Gardiner and the Monteverdi Choir were also the corporate heroes of a concert in the St Sauveur Cathedral in which Buxtehude's mourning cycle of seven cantatas, Membra Jesu Nostri, was given without break. Each cantata, for soloists and large choir, adds its special note of individuality of texture and harmonic range; but the whole is a linked structure of monumental severity. The experience was never dull, because of the subtlety of the music and also because of the *marvellous virtuosity of the* singing. It was almost too cultivated at times: a German choir would probably have made the sound tougher and grittier. But that is being finicky: the residence of the Monteverdei Choir and The Sixteen (who are providing the chorus in three of the four staged operas) guarantees Aix choral singing of the highest festival standards.

News in brief

THE ENGLISH National Opera's next season opens on September 1 with two new productions and three revivals over 10 weeks including the first London performance of Stephen Sondheim's musical *Pacific Overtures*.

This ensemble piece in the Japanese Kabuki tradition, with each cast member playing several roles, opens on September 10 and is produced by Keith Warner, conducted by James Holmes, designed by Ralph Koltai and sponsored by British Home Stores.

The other new production is Bizet's The Pearl Fishers, with Philip Prowse making his ENO debut as producer. It will be performed with the original 1863 finale for the first time in London. Conducted by Charles Mackerras, the cast includes Valerie Masterson, Adrian Martin, John Connell and the Russian bass Sergei Leiferkus. who is making his ENO debut.

The revivals are Richard Strauss's *Salome*, produced by Joachim Herz, conducted by Mark Elder with Josephine Barstow in the title role. Massenet's *Werther*, with Ann Murray and Arthur Davies, also conducted by Mark Elder; and Jonathan Miller's Mafia production of *Rigoletto* with John Rawnsley repeating his title role performance.

★

THE VAN GOGH "Sunflowers" has gone; the Manet view of La Rue Mosnier in Paris has gone; and, more worryingly, statues of Venus, Minerva and Juno by Joseph Nollekens are no longer in this country. These are the main exports of works of art from the UK in the first six months of the year.

All were temporarily refused export licences but British institutions had no way of meeting their auction prices. Two items were retained—Benjamin West's vast painting of King Alexander III of Scotland being rescued from a stag, which the National Galleries of Scotland raised £575,627 to purchase, and a portrait of Virginia Woolf by Vanessa Bell, which the National Gallery bought for £30,000.

But if works of are sold for huge prices at auction invariably leave the country the provisions for the acceptance of works of art in satisfaction of inheritance, or capital transfer tax seem to be operating more effectively. The latest item to find a safe home is Lord Clarke's archive of 20th century art history which will go to the Tate and meet a tax bill of £144,870.

★

FOLLOWING the withdrawal through illness of Janet Baker and Elly Ameling from the *Cheltenham Music Festival*, Saturday's concert recital in the Town Hall will be given by Benjamin Luxon. The accompanist, as already announced, will be Geoffrey Parsons, and all bought tickets will be valid.

Alastair Muir

Karl Johnson (top) and Bill Nighy in Mean Tears, a new play by Peter Gill which opened last night in the National Theatre's Cottesloe auditorium. It will be reviewed on this page tomorrow

Follies/Shaftesbury

Michael Coveney

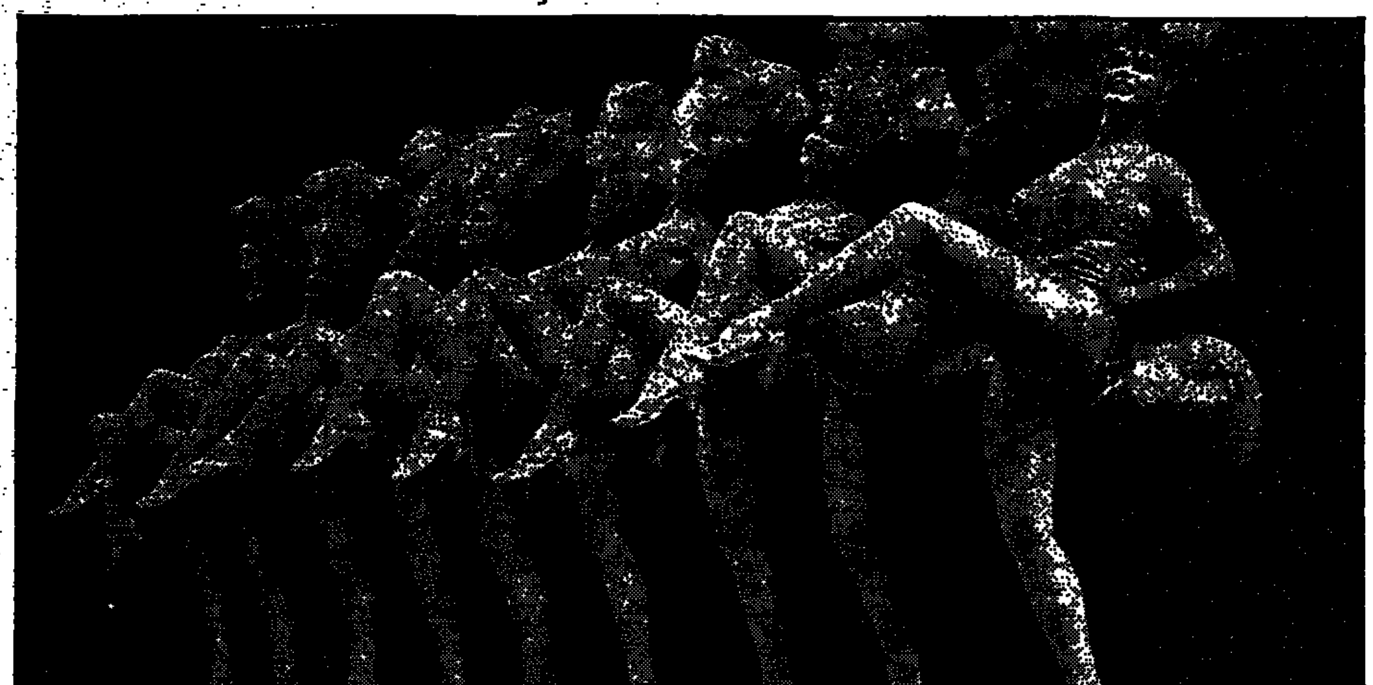
There has long been a London audience for Stephen Sondheim's 1971 Broadway musical and most of them piled into the Shaftesbury on Tuesday for a long delayed party. Parties are, by tradition, one-off affairs, and the question with *Follies* is, who turns up tomorrow?

The answer may have something to do with the great pleasure and surprise of Mike Ockrent's superb production, which is that *Follies* is a very great deal more than a camp love-in for old burlesque buffs and Sondheim aficionados. It is a tart, poignant and cunning lament for lost affection, totemic loyalties in popular culture and methods of deceit. It is, we now see, an indelible half way sketch between the vaudeville-celebrating *Gypsy* (1959, lyrics by Sondheim) and Lloyd Webber's full-throated neo-romantic *Phantom of the Opera*, in which emotional possession and a haunted theatre are startlingly presaged in this piece.

It is no mere coincidence, perhaps, that both *Phantom* and *Follies* have been designed by Maria Bjornson (and produced by Cameron Mackintosh). In both cases, the design pictures are light, evanescent, mock-luxuriant.

The "beautiful girls" include Sally and Phyllis whose stage door Johnnies, now a middle aged rancher and Wall Street financier respectively, recreate after-show lisisons soured by ratified commitment. This quartet are shadowed by their younger selves, while the chorus line confronts its distorted *mirror image* in the breathtakingly well staged "Who's That Woman?" The mask is the mirror, as in *Phantom*.

The New York Worlds Fair at the end of the 1930s is referred to in the great survival number "I'm Still Here" (aficionados either wetting, or stamping on, seats) delivered, definitively, by Dolores Gray. She came through that, and J. Edgar Hoo-oo-oo-ver, Beverly Hills, Reno and other addictions. But the Fair and the end of Art Deco haunts the follies, and Miss Bjornson resolves the internecine marital squabbles with a scenic occupation of this blasted heath.



Alastair Muir

James Goldman has radically modified his book, obliterating my previous conception of the work — fuelled only by the original Broadway over-maligned cast recording and the historic 1985 Avery Fisher Hall "live" memento album—as a glorified concert. Thanks mainly to Julia McKenzie's Sally, in love with her best friend's husband, the show is unlocked as a journey of emotional discovery. The correct pairing off, after all we have seen, is not sentimental, but horribly truthful.

A disparate-looking line-up on paper proves a triumph of inspirational casting, from the sprightly old-time duet of Pearl Carr and Teddy Johnson to the glacial but lacerating pairing of Diana Rigg and Daniel Massey as the diseased couple (a new item in the score, "Country House," is savagely performed). I have never known Miss Rigg more watchable and she more than holds her own in company with Margaret Courtenay's imperious old timer, legs still in good order and investing "Broadway Baby" (which really belongs to Miss McKenzie or the sleazily unapologetic Elaine Stritch) with a welcome, defusing shimmy; and a stunningly re-born Lynda Baron as a vampish, eye-rolling chief slut.

There is also the wondrous Adèle Leigh as a Viennese remnant, Simon Green and Gillian Bevan as beautifully delineated juvenile shadows and the accustomed top class orchestrations by Jonathan Tunick, well realised under the musical direction of Martin Koch. A truly fantastic evening.

Donizetti's Alina/Ravenna

William Weaver

Though Donizetti had written over 20 operas before he composed *Alina regina di Golconda* in 1828, it can still be considered a young work. Young, but not immature. The Rossinian influences are unabashedly evident, but they are absorbed, exploited, turn to Donizettian advantage. And that special wistful sweetness, the pastoral and elegiacal aspect of the composer's personality are also an integral part of the texture of this semiseria work, which the Ravenna Festival revived last week, after nearly a century of oblivion. The last recorded performance seems to have been in 1891.

The organisation's proper name is Ravenna in Festival, and the idea clearly is to involve the whole city in the summer celebration. In fact, the programme is admirably inventive. At the Tomb of Dante there are readings, with music, from The Divine Comedy (this year's exceptional readers include the poet Giorgio Caproni and the composer Luciano Berio); late-night festivities take place in the Piazza del Popolo; and there is a series of organ recitals in the unique setting of San Vitale.

The elegant, small Teatro Alighieri has been tastefully restored (and blissfully air-conditioned, and it is the perfect size for Donizetti. The Orchestra Giovanile "Arturo Toscanini" of the Emilia-Romagna sounded full-bodied and smooth, under the brisk but not unyielding baton of Atonello Allemandi, a young conductor of talent (even though he had occasional difficulty maintaining ensemble).

But *Alina* is a singer's opera; indeed, it is a protagruist opera, and the title-role in the past had such illustrious interpreters as Pauline Viardot-Garcia. In Daniela Dessi, who essayed the part in Ravena, the festival found an excellent young artist. The voice is sweet and flexible, with a hint of Callas-like plangency. In the moments requiring authority (Alina is, after all, a monarch), the gifted soprano showed the flash of steel. In the grand final virtuoso solo, there was an occasional sign of fatigue—more than justified, more than pardonable—but the total effect was impressive and heart-warming.

The protagonist was strongly supported. As Seide, the wicked vizier, Rockewll Blake sang with fiery bravura; and the second pair of lovers, a *Seraglio*-like counterpoint, Adelisa Tabiadon and Andrea Martin used their voices as well as their wits.

The young baritone Paolo Coni sang the part of Volmar, Alina's long-lost but ever-faithful lover; he moved with noble dignity and sang with lyrical warmth. One of the high points of the score is the quartet in Scene VII of the first act: the four young artists performed it with splendid grace and humour.

Visually, this production was close to perfection. The story is set in India (where the sweet Provençal Alina has been first a slave, then the king's wife, and is now the widowed queen). Pasquale Grossi's sets echoed 19th century traveller's water-colours.

The performing edition of the score was prepared by Carlo Ballarini and Emilio *Ghezzi; it will be published* next year and will answer a number of questions about the tormented composition (Donizetti revised it considerably in its early years). *No-one can* confidently answer the question, why was *Alina* so long neglected? Surely, the 1890's triumphant wave of operatic *verismo* contributed to its shelving, along with many other semiseria works. But now this elusive genre is again welcome on the opera stage. May *Alina* finally regain her throne.

The Bolshoy Academy/Coliseum

Clement Crisp

The interest in watching the students of the Bolshoy Ballet Academy is part talent spotting, as it is with any performance by apprentice professionals, and part the pleasure of watching the bloom of theatrical innocence. The dancing has such academic neatness, the schoolroom still touches so much of what they do, that the eye rejoices in the very clarity and unsullied decorousness of the style.

So it was on Tuesday night with this troupe of senior students from the Bolshoy's Academy in Moscow, boosted with some recent graduates to provide technical weight in certain numbers. They are young, and have not been forced into any unseemly maturity: indecisions and uncertainties are not technical—well, not often—but have more to do with stage-craft and with how they comport themselves in the glare of public attention.

The first of the three programmes which will be shown on this visit to Britain opened with the second act of *Swan Lake*. Remarkable the meticulous rehearsal of the legion of swan maidens; even more so the unity of manner, where poses, impulse of movement, shaping of steps, were all coherent and cohesive. The style, as always with the Bolshoy, is generous, and at the heart of the staging is an assured artist, Galina Stepanyenko, whose well-rounded technique and clear manner make an *Odette of precise, contained* line.

There follow, as a central hors d'oeuvre, a collection of divertissement numbers, variously predictable, in which I admired Miss Stepanyenko in the *Corsaire* duet for the dazzling attack she brought to its hallowed feats of virtuosity, and succumbed to the very young and very potent presence of Anastasia Nabokina in a duet about a girl and a deer. The text of the piece matters not at all; what proved so touching was Miss Nabokina's ability to convey emotion with an unerring directness, and her free and airy dance style.

To close the evening, the final act of *Coppélia*, even flimsier in dramatics than is usual with this dear and improbable centenarian. Nadezhda Grachova is an accomplished Swanilda; her Franz Denis Sitnikov, promises to be a danseur of beautiful line and noble style; the surrounding peasantry were as ingratiating as only a cast of young dancers can be. Delibes' score, though, was so drawn out and charmlessly performed that half the wit and sparkle of the dances was dissipated: the students, the ballet itself, deserve more encouragement from the music.

Do not visit the Bolshoy Academy expecting mature achievement. That comes only when *the students have been* absorbed into the parent company. But if you wish to see the matrix from which so much astounding dancing has emerged, and to catch the signs of early talents, then you will not be disappointed.

Sinfonietta Prom/Albert Hall

Dominic Gill

It still seems that nothing is more calculated to frighten Prom audiences away than a programme of lesser-known works of contemporary chamber-orchestral music. A tiny scattering of seats was filled for Tuesnight's London Sinfonietta concert conducted by Oliver Knussen—although those who turned out will have found few notably "difficult" or avant-garde challenges to tax them.

The evening was in fact proposed as having a specifically "Aldeburgh connection": but that link, in the case of the opening piece of the programme,. *Carmen Arcadiae Mechanicae Perpetuum* by Harrison Birtwistle, was not so much tenuous as unlikely to be acknowledged.

It was good to hear Birtwistle's little *Carmen Arcadiae* again: a chattering mechanical music-box for 13 instruments of surprisingly powerful resonance, for all its economy and brevity.

The songs and the "Wild Rumpus" music which Oliver Knussen has excerpted for concert performance from his opera *Where The Wild Things Are* were seriously spoiled by inept amplification of Rosemary's Hardy's voice; but the instrumental parts came across with panache from an augmented Sinfonietta—would that all of our orchestras reliably played with such virtuosity and clarity! *Colin Matthew's Suns Dance* for ten instruments is a bright, acerbic piece about 15 minutes long, full of energy and busy figuration. I liked its sense of unceasing movement, and its piquant instrumental combinations.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Exhibitions

July 17-23

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

Picasso Museum. The 17th century Hotel Sale, sumptuously restored, provides a fitting home for the world's largest collection of Picasso's work. It comprises 203 paintings, 158 sculptures and more than 3,000 drawings and engravings, 16 collages and 88 pieces of ceramics. It is completed by Picasso's own collection of paintings by his friends, such as Braque and Matisse, or by artists he admired, Renoir, Cezanne, Douanier Rousseau. Musee Picasso, Hotel Sale, 5 Rue Thorigny, Paris 3E (4271 2421). Closed on Tuesdays.

WEST GERMANY

Stuttgart, Staatsgalerie: British art in the 20th century organised by the Royal Academy of Arts. The work, covering 1910-70 is not well known in Germany. The extensive display of 250 pictures and sculptures from 70 artists includes works by Henry Moore, Ben Nicholson, Francis Bacon and Anthony Caro. It should help to revise the prejudice that British art is provincial and has not been represented in the avant garde. Ends Aug 9.

ITALY

Venice: Ala Napoleonica and Museo Correr: 'Matisse and Italy': over 250 works by one of most poetic of 20th century French Painters. The exhibition includes paintings, drawings, and Matisse's entire output of sculpture (75 pieces in all), lent by private and public collections in France and America, and the Musée Matisse in Nice. Pierre Schneider, the organizer, has attempted to show how the works of Italian painters such as Mantegna, Pollaiolo, Giorgione and Veronese may have influenced Matisse. Until October 18.

SPAIN

Madrid, Fernando Botero. Colombian painter whose imaginative world is a poetic distortion of reality. 100 works on loan by private collectors, museums and artist's funds. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Sept 6.

Madrid, Cy Twombly, American artist living in Rome since 1957 exhibits his Conjuntio Oppositorium: 43 paintings on cloth, 68 on canvas and 20 sculptures dated 1952-86. Palacio de Velazquez and Palacio de Cristal at the Betiro Park. Ends July 30.

NEW YORK

Museum of Modern Art: Berlinart 1961-87: An international assortment of 55 artists who worked in Berlin over the past 25 years includes David Hockney, Malcolm Morley and Georg Baselitz. Ends Sept 8.

CHICAGO

Art Institute: 16th century Turkish art that flourished under "The Lawgiver" Sultan Suleyman is displayed in 210 objects including illustrated manuscripts, inlaid woodwork, rugs and the imperial wardrobe. Ends Sept 6.

WASHINGTON

National Gallery: 61 Italian master drawings by Leonardo, Michelangelo and Raphael among others travel for the first time from the Royal Collection in Windsor for this exhibit. Ends July 26.

TOKYO

Kandinsky: 100 works on loan from collections at museums in Munich, Paris, Moscow and New York. National Museum of Modern Art, Kitanomaru, near Takebashi Station. Ends Aug 9. Closed Mondays.

Saleroom/Annalena McAfee

Record year for Christie's

Christie's beat the other major auction houses by releasing its end of season figures yesterday. The results showed an increase of 50 per cent on last year's figures with results passing the £500m mark for the first time. Worldwide, Christie's made a total of £581,155,000. The London saleroom in King Street showed the most marked increase in business: up 85 per cent on the same period last year. John Floyd, company chairman, said the past season, which runs from July to July, "has been one of the most memorable in Christie's history."

Among the highlights was the sale of Van Gogh's "Sunflowers" for £24.5m and his "Le Pont de Trinquetaille" for £12.65m . Twenty five other works of art made more than £1m. Several eminent collections were disposed of by Christie's including Old Masters from Chatsworth, furniture and silver from Knole and George Bullock furniture from Great Tew.

Yesterday, however, as the season dragged to an end the sales were less inspiring. But even at this level, the increase in activity in the market was still apparent.

A single stone diamond bar brooch was the top lot in Christie's sale yesterday of jewellery and antique jewellery. The brooch, with a cushion-shaped 4.87 carat stone, made more than double its estimate when it was bought for £23,100 by the London dealer S. J. Phillips. The same buyer paid £17,600 for a pair of antique diamond pendants, which had been expected to fetch up to £14,000.

A brilliant-cut diamond target brooch, with a two-tiered diamond surround, fetched more than twice its estimate when it was bought for £12,650 by the London dealer Moussaieff. More diamonds, this time in a nine-stone half-loop bangle, were bought for £12,100 by a private buyer.

Still at Christie's, the sale of the library of James O'Byrne, comprising 19th century art and architecture, made a total of £218,465 with 5 per cent unsold. The joint top lot was a four volume first edition copy of Giovanni Battista Piranesi's Le Antichita Romane which was bought for £7,700 by the London dealer Sam Fogg. The same price was paid for 56 volumes of Vanity Fair dated 1869-96.

FINANCIAL TIMES
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Thursday July 23 1987

Rule books in the City

WITH THE publication of the voluminous rules of The Securities Association and the elaborate proposals on position risk capital requirements from the Securities and Investments Board, the full implications of the new regulatory regime for the London securities markets are now becoming clear.

All the talk about London being "deregulated" can now be put into its proper perspective. It is true that London retains certain freedoms denied in New York and Tokyo in terms of the combination of commercial banking and investment banking. But in most other respects the activities of securities houses in London will be tightly restricted by international standards. So much so that the main risk must be that business will drift away from London to alternative centres where the rules are not so tightly drafted.

Regulation is expensive, both in terms of the direct costs and the prohibition of potentially cheaper alternatives. The ultimate cost has to be borne by the investor, but there is doubt about whether he will always be prepared to pay. Within a closed society he can much more easily be prevailed upon to do so than in the open markets which have been enthusiastically developed in the UK.

Other markets within the European time zone have been losing business to London within the past few years because London has been able to liberalise its systems more rapidly. For example, the German stock markets have been seriously handicapped by the need to accommodate various regional jealousies. The Swedish and Swiss markets have been held back by the high level of local transaction taxes.

Prime objective

But these markets—or their political masters—must now be tempted to relax their own rules, or trim their taxes, to encourage the growth of international business in these alternative centres.

It is too early, however, to draw firm conclusions about the success or failure of the new regulators in Britain. One of the prime objectives of the particular combination of statutory and self-regulation being developed in the UK has been that it should be flexible. The system will be controlled by practitioners, and the day-to-day operational rules can be changed without the need for new primary legislation.

Yet a glance at the rule books of some of the new self-regulatory organisations must cast doubts on this supposed flexibility. The whole process has acquired a highly legalistic form which it was hoped at the outset could be largely avoided.

Grave danger

It seems that the bigger securities houses may be relatively content. They have been brought fully into the decision-making; the position risk procedures, for example, have been fitted in with the general practice in the big international firms.

Smaller companies, however may be much less happy with the way the markets are developing. There is a serious risk that there will be a polarisation of the markets in favour of hte major players, not just because the rules have been tilted in their favour but also because only they can afford the facilities—in-house compliance officers, for example—which are necessary to be able to extract the most out of the new set-up.

The rapid pace of innovation has been a major characteristic of the London financial markets, and it is a prime reason why they have grown so fast compared with overseas alternatives. Constrained by a new burden of detailed regulation, however, it may well not be possible for the smaller and more creative elements within the markets to operate as they have done in the past.

This may be unduly pessimistic. If a self-regulatory system is operated imaginatively and flexibly it may be possible to retain the more dynamic aspects of the City of London's securities markets. But judging by the weight of legalistic rulemaking which has been produced in recent weeks, there will need to be constant vigilance on the part of practitioners—led by those on the boards of the SROs—to ensure that the best innovative traditions of the past can be sustained, as well as that higher standards of investor protection and market stability can be ensured.

Reform process in Taiwan

THE lifting of martial law in Taiwan for the first time since the nationalist government was established on the island in 1949 is the latest and most important of a string of long overdue reforms.

The removal of martial law and the economic changes such as liberalisation of financial markets and cancellation of foreign exchange controls are dramatic and welcome signals that the younger generation of modern pragmatists are gaining the upper hand in the ruling Nationalist Party. But although Taiwan appears in some respects to be moving at break neck speed on social, political and economic reform this is a partial illusion caused by the fact that changes which should have occurred during the past two decades are only now being implemented. There is still far to go.

The aged and ailing President Chiang Ching-kuo now appears determined to leave his mark on history as the man who transformed Taiwan from a one party autocracy ruled by partisans elected 40 years ago on mainland China to a free liberal democracy. In reality, however, force of economic circumstance and rapidly mounting US pressure have been at least as important as concern with posterity. And further pressure from the US, whose support is every bit as important to Taiwan as it is to Israel, is inevitable until the highly restrictive trade barriers are dismantled. US textiles face a 66 per cent tariff in Taiwan compared to zero in Hong Kong.

Trade surplus

The controlled economy was motoring rapidly towards crisis; foreign exchange controls pushed the foreign currency reserves from $20bn to $60bn in the past two years; the soaring trade surplus took the growth of money supply out of control; the New Taiwan dollar appreciated by nearly 25 per cent in under two years.

These runaway figures underline the extent to which Taiwan has persistently failed to adjust and restructure its economy over the years. The excessive trade surplus results from a combination of the traditional obsession with saving coupled with lack of investment in modernising industry. Money piles up in surpluses while little goes on capital goods imports, productive industries remain heavily labour intensive and poorly endowed with technology, and savings account for nearly a third of GNP, nearly double the investment rate.

These distortions have been further compounded by running an exchange rate policy to achieve a surplus which earns less than could be achieved through investment in the domestic ecenomy. Cash mountains neither expand the economy nor raise the standards of living of the population; the Taiwanese have a low standard of living relative to economic activity and the high savings ratio is still stimulated by excessive incentives for small savers.

Economic reform

It is not yet clear that President Chiang Ching-kuo and his government have fully grasped the extent of the economic problems with which they are confronted and the structural shift which will be required to solve them. The detail of the legislation to come, especially the minutiae of the much needed reforms to meet the shortcomings of the banking, securities and company laws will be all important.

So too will the government's proposals for rejuvenating and democratising the National Assembly and Parliament, increasing provincial autonomy and moving towards free multi-party elections. After all, any constraints on moving towards democracy in Taiwan are entirely self-imposed, unlike other former adjuncts of China like Macau and Hong Kong. If Taiwan, anxious about the way mainland China is leading the way on economic reform, wants to steal a march on Peking it could announce now—and implement soon—a timetable for free elections to a new parliament. Experience shows that economic reform, once started, usually leads quickly to popular demand for social and political freedoms.

There is no denying the size and importance of the steps taken so far. But Taiwan is only at the beginning of a long and difficult march. The most encouraging sign is that, once the process has been started, it will be virtually impossible to turn back.

Guy de Jonquieres looks at European disillusionment with the rewards of high technology

Back to basics

NOW THAT Britain has finally stopped blocking agreement on the funding of the European Community's joint research programme, it might seem that the EC, after a hiatus lasting several months, is once again united in its determination to resume its quest for a technological New Jerusalem.

However, the story is not quite so simple. Though the UK has been widely criticised for obstructing single-handedly the EC package, enthusiasm in several other governments also appears to be slackening as they re-evaluate their thinking on technology and industry policy.

In the past few years, EC collaborative programmes, such as Esprit in information technology, have come to symbolise Western Europe's almost obsessive drive to strengthen its flagging performance in the new technologies, above all in electronics. They have been buttressed by other initiatives such as Eureka, which involves companies and research organisations in 19 European countries and, at a national level, by the Alvey programme in Britain.

Most of these schemes have placed a heavy emphasis on pooling research efforts in the laboratory, usually with the support of public subsidies. The presumption was that the key to improving the performance of high-technology industries lay in technical innovation.

However, in the recent debate on the new EC "framework" research programme, both France and West Germany joined Britain in slashing funding to barely half the Ecu 10.6bn first proposed by the European Commission. Even some larger electronics companies participating in Esprit are now privately sceptical about the Commission's aims, complaining that it seems interested only in more research spending.

Fiscal parsimony and a reluctance to cede too much responsibility to Brussels have obviously played a role. Beyond that, however, opinions in European capitals are also changing both on the most effective means of stimulating competitiveness in high-technology industries and on their importance to national economies.

"High-technology is being demystified in Europe," says Dr Henry Ergas, an economist with the Organisation for Economic Co-operation and Development and an authority on technology policy. "The aim today is no longer to scale its gleaming heights but to achieve strength across the economy as a whole."

In Britain, the Thatcher government ignored its own non-interventionist precepts for several years and pumped large sums into support schemes for electronics companies. It has recently abolished the post of information technology minister and is baulking at subsidising a successor to the Alvey research programme. Lord Young, the new Trade and Industry Secretary, says promoting the use of the new technologies will command a higher priority than aiding the companies which supply them.

In West Germany, the change is even more pronounced. In the early 1980s, the position of the country's computer and electronics industries was a source of acute government concern. Today, attitudes in Bon appear relaxed to the point of indifference, even though there is a mounting trade deficit in information technology.

"Why bother to make such a fuss about sectors which do not even account for 10 per cent of our national output?" said a senior economics ministry official recently. In his view, West Germany should concentrate on traditional industries such as motor vehicles, machine tools and chemicals, where it has proven competitive strengths, rather than pouring public money into glamorous new technologies where the risks are high and commercial rewards uncertain.

These reservations are shared by Siemens, West Germany's largest electrical and electronics company. Frequently chided in the past for being too slow to exploit promising high-technology markets, Siemens now insists it was right to be cautious. "Just look at all the new technologies, like robotics, which were supposed to become huge growth businesses but never took off," says one executive.

France, perhaps more than any other European country, has long viewed the achievement of national autonomy in advanced technologies as a strategic imperative which called for active state involvement, but here too, there are clear signs of a shift of emphasis.

'The aim today is no longer to scale the gleaming heights of high technology'

The recent merger of the commercial semiconductor operations of the state-owned Thomson group with SGS-Ates of Italy has been widely interpreted as a move by the French Government to extricate itself financially from a highly risky business which it has supported extensively in the past. Authorities in Paris have also blessed a deal by Bull, the state-owned computer company, which is expected to lead to increased reliance on products and technology provided by NEC of Japan.

France now appears bent more on acquiring international market share for its high-technology companies than on promoting technological edvances for their own sake. CGE, for instance, has acquired control of ITT's sizable telecommunications business, while Bull has taken control of the computer subsidiary of the American Honeywell group.

Several inter-related factors lie behind these trends. One has been the gradual recognition in Western Europe that achieving a commanding position at the frontiers of high-technology no longer guarantees high profits. Technology has become so mobile that every promising innovation quickly becomes the object of ruthless international competition, in which even the most successful players sometimes sustain heavy losses.

This realisation, in turn, has gone a long way to still the anxieties rampant in the early 1980s that Europe was in danger of being crushed by a technological hegemony exercised jointly by the US and Japan. US research spending on the Strategic Defence Initiative, once feared as a source of massive stimulus to America's civil and defence technologies, is today regarded by many experts on both sides of the Atlantic as at best of dubious commercial value, and at worst as a wasteful diversion of scarce resources.

Equally, the recent competitive weakness of the American economy has exploded the theory—much in vogue at the swaggering height of Reaganism—that the world was moving rapidly into a post-industrial era built around computers and chips, in which the US would enjoy an overriding advantage.

As for Japan, in spite of its stepped-up research effort in futuristic areas such as intelligent computers, the key reasons for its success in high-technology are now perceived to be much the same as in other export industries: enterprising and flexible management, meticulous attention to detail and highly efficient manufacturing.

Finally, within Western Europe, there has been a general shift towards deregulation, privatisation and other policies geared to enhancing the role of market forces. At the EC level, the practicalities of completing the internal market now command a much higher priority than do visionary blueprints for political integration.

Indeed, Europe's high-technology success stories of the 1980s have been electronics companies such as Italy's Olivetti and West Germany's Nixdorf, which have prospered without huge government support, or recoveries by companies like Britain's ICL which have largely shed their previous roles as protected "national champions."

Exactly where all these developments will lead in the longer term is, perhaps, less clear. From one vantage point, they can be seen as a healthy correction, which will reduce reliance on costly and often ineffective technology - push policies and give greater scope to the stimulus of demand-pull.

On the other hand, the shock triggered by fears of "technology lag" in the early 1980s spurred the EC to raise its sights above routine squabbles about farm prices and budget payments. Europe would be a duller place if the pendulum swung so far to the other extreme that it engendered a clmiate of complacency, in which the risks and challenges of high-technology were no longer considered worth attempting.

THURSDAY BOOK REVIEW

Oil and Honour—The Texaco Pennzoil Wars

By Thomas J. Petzinger Jr.
G.P. Putnam's Sons: $19.95

IF YOU ARE lazing about on an Italian beach, think twice before picking up the latest 500-page treatise on the legal battle between Pennzoil and Texaco, the US oil industry's nearest equivalent to the David and Goliath saga.

After turning a few pages idly on the sand, I was still reading with red-eyed suspense as dawn broke the following day. Perhaps this was appropriate, since many of the characters rushing through these pages seem to regard night as just a slack period in life's real business of liberating one's neighbour's assets.

Thomas Petzinger, the Wall Street's Journal's deputy bureau chief in Houston, Texas has managed to tell this remarkable tale with all the pace and more drama than "Dallas" at its best, without any sacrifice of authority.

The whispers, blandishments and threats which echoed between boardrooms, hotel suites and the banking system's well-dressed touts are rendered with an abundance of verbatim dialogue spiced with obscenities and cynical wit.

The racy dialogue is not the product of a journalist's factionalising imagination. The American legal system provided Petzinger with 50,000 pages of affadavits and hours of video testimony. To this he added 200 interviews as part of his coverage for the Wall Street Journal and a further 50 long interviews for the book. These were used to flesh out the evidence given before the Texas jury which awarded the largest damages in history.

The $11.1bn damages awarded to Pennzoil has brought its famous and much larger adversary Texaco to the edge of bankruptcy, but the story is not over by any means. Texaco still has a chance of having the judgment reversed in the US Supreme Court. If it fails, the world's fifth largest oil company risks being wiped off the corporate map.

Petzinger's account of the story so far includes an excellent account of the legal and factual issues at stake with sensible — and restrained — comments on the implications for corporate America.

The immediate cause of this bitter legal war was Texaco's purchase of Getty Oil in 1984 for $9.98bn, only a few days after the Getty board had agreed to sell three-sevenths of its assets to Pennzoil for a price per share which was 10 per cent lower. Texaco still vigorously maintains that it did nothing wrong in making a higher bid, and that the Getty Oil directors were free, and indeed had a duty, to accept a higher offer.

But the jury in that sweaty courtroom decided otherwise. It said that although the Getty directors had not signed any agreement, a verbal contract had been struck and that Texaco had wrongly interfered with it.

The case was heard before two judges who, to say the least, appear to have been colourfully "Texan." The first, who gave up through ill-health half way through the trial, had a close relationship with Pennzoil's flamboyant lawyer, Joe Jamail. The second, who took over without reading the trial record, almost gloried in his ignorance of the New York laws which were supposed to govern the proceedings.

Petzinger provides fascinating background to the personalities involved in the trial, with many telling anecdotes and details, such as Jamail's former feat in convincing a jury that the city of Houston was "negligent" for planting a tree which his client had run into while drunk.

The excitements of the trial occupy only the third and final section of the book, however. Petzinger has managed to add many layers of revealing irony to his account of the trial because the reader already knows the story from the first two sections, often in more detail than the jury was allowed to hear. By this device, much of the courtroom dialogue is shown in a savagely comical light. The best example is when Pennzoil's chairman, Hugh Liedtke, a wily lawyer and a veteran of hostile takeovers, assumes the persona of a backwoods farmer bemused to find so much wickedness in town.

The first section, almost worthy of a book on its own, chronicles the rise of the oil empire founded by the legendary J. Paul Getty and its sad decline, so closely linked to the old man's obstinate pride and the suicide of his oldest son, George.

Rendered with an abundance of verbatim dialogue spiced with obscenities and cynical wit

The centre of the drama is shown to be the mercurial younger son Gordon, clever and artistic, but a dilettante, and a prodigal in his father's eyes; a man with no natural inclination for business suddenly at the centre of the biggest take-over battle in history.

The climax is Gordon Getty's splendid remark to John McKinley, Texaco's ill-starred chairman: "I accept. Oh! you're supposed to give the price first."

Although Petzinger's critical analysis is constantly alert for baser motives, he avoids taking sides. His imagination is too subtle to create villains, though Lieedtke, Jamail and even the vacillating Gordon Getty are vivid enough to be anti-heroes; and McKinley emerges with all the stiff rectitude of a Lone Ranger. So to tease out the conclusion, well . . . you really have to read it, if you can spare a night or two.

Max Wilkinson

Men and Matters

Dearing goes private

Sir Ron Dearing, who announced his early retirement as head of the Post Office yesterday, has made a habit of going against conventional expectations.

As a civil servant, he was one of the very few who joined the service as a clerk straight out of school without a degree and yet still made it to the top.

The 16-year-old Dearing, joining the Ministry of Labour in Hull in 1946, had to travel a long way to become the deputy secretary in charge of nationalised industries at the Department of Trade and Industry in 1976.

Equally surprising was Mrs Thatcher's decision in 1981 to put him in charge of the Post Office, newly separated from British Telecom. The Prime Minister held civil servants and nationalised industries in almost equally low esteem at the time.

But her instinct has been convincingly justified by Dearing's record, which he was reviewing in his wry manner yesterday. Even consumer groups admit they find it difficult to become angry with him personally.

The Government's view of him is clear from the fact that it tried to persuade him to stay on. But Dearing, 56, already has several offers from the private sector to keep him busy.

Spy catching

The tactic of "spying strangers"—a procedure which triggers a vote which can result in the public and press galleries of the Commons being cleared—has gained a fresh lease of life as MPs on the Opposition benches seek to embarrass ministers over the Government's minority in Scotland and Wales.

Plaid Cymru's Dafydd Wigley used it to underline the Englishness of Peter Walker when he made his debut as Welsh Secretary—but only mustered two votes. And Labour's Dennis Canavan resorted to the same ploy yesterday when English Tory MPs tried to help the beleaguered Scottish Secretary, Malcolm Rifkind, by showing an unusual interest in affairs north of the border. Canavan went down to defeat by 161 votes to 41.

Churchill was Prime Minister when the galleries were last cleared—on the initiative of the then George Wigg, a noted procedural strategist. With none of their words being reported MPs quickly decided on that occasion that there was no point in continuing the debate, and the day's proceedings were brought to a premature end.

Computers right

No democratic Portuguese party has ever won an overall majority let alone a landslide victory in this or any other century.

So it was natural enough that when early returns started coming in for last Sunday's historic election of the Social Democrat Party (PSD) and its charismatic "let's roll up our sleeves and get this country going forward" leader, Anibal Cavaco Silva, PSD officials should stare at their shiny new computers in disbelief.

Seventy per cent here. 65 per cent there. The graphs, only programmed to rise to 50 per cent (7 per cent above what was needed for a majority and a target even the most optimistic PSD officials doubted they could make) were shooting off the screen. Projections were going haywire.

The PSD reprogrammed its computers, assuming that in Portugal, a land which has not handled sophisticated computers for that long, someone had made a mistake when the programme was set up.

But even with rejigged software, the graphs kept soaring as the results began to pour in. Finally even the PSD sceptics had to concede victory—to themselves.

"Another late sitting — perhaps they've voted themselves overtime as well as a 22 per cent increase"

After which, out came the champagne bottles and a hilarious time was had by all, especially the computer programmers whose skill with the software had been vindicated. In the end the PSD won 50.1 per cent of the popular vote and Portugal set itself more steadily on its course for modernisation and development in the European Community.

Win and lose

Tony Gartland was about £7.5m poorer yesterday afternoon than he was on Tuesday morning just before FKI Electricals, the electrical engineering company he has built from a humble manufacturer of parking meters, announced its agreed takeover for Babcock International.

With Gartland's 16.2 per cent stake in FKI, every penny up or down on the share price makes a difference of £250,000 to his personal wealth. Nevertheless, Gartland can still afford to smile with a holding worth £42m, the fruits of 14 years at the helm after leading a management buy-out of Fisher Karpark.

Gartland will be a lonely man, however, if his fellow executives at FKI Babcock begin to reminisce about pre-merger Babcock. Gartland, chief executive of the new group, is one of the few joining from FKI not to have previously worked at Babcock.

Jeff Whalley, FKI managing director and designated deputy chairman and operations director of FKI Babcock, leads the list. He finished a 10-year stint at Babcock as managing director of its switchgear and transformer operations.

FKI directors Rodney Morgan and Bill Wood also previously held executive positions at Babcock, as did group financial controller Mike Wedgwood.

Own label

Some marriages are made in heaven, and some, it seems, in the telephone directory.

For who should come to the aid of loss-making clothing manufacturer, Goodman Brothers, but a Jersey-based businessman, Gerry Goodman. He is injecting his privately-owned retail interests, which include 20 Benetton shops, and becoming chairman of the new group.

Goodman is no relation to the original Goodmans who started the company in the mid-thirties. Neither is his son, Paul, who becomes a director responsible for the retail division. Neither, for that matter, is Harold Goodman, who currently works for Gerry Goodman, and who takes on the finance director mantle. He is not related to any of the others.

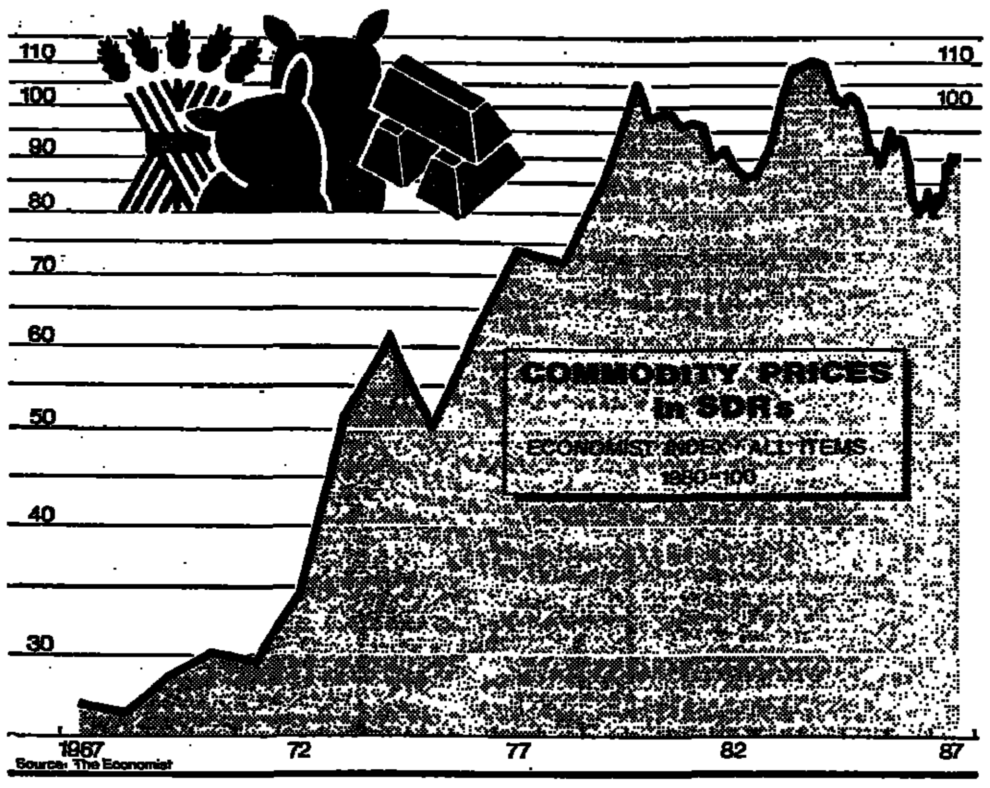
Matters will be happily resolved once the deal is completed. The company is going to change its name to Goodman Group.

Observer

Economic Viewpoint

Some modest steps towards a reform of world money

By Samuel Brittan



THERE IS a profound temperamental difference between those who blame the world's ills on some or other aspect of money—for example the billions of dollars moving across the exchanges every day or the fear of an international banking collapse—and those who look at the "real forces" of political economy.

But even those of us in the second camp need to look at the world money game to make sure that it does not aggravate or magnify the real maladjustments or cause wrong signals to be transmitted.

Examples of where the money and exchange rate systems failed to give the right warnings are many. They include the concerted over-expansion of the main industrial economies in 1971-73 (the Nixon-Heath era) which terminated in an explosion of oil and commodity prices, and inaugurated a decade and a half of "stagflation"; the excessive use of bank finance to recycle the Opec surpluses and to finance government borrowing in developing countries in the 1970s; the US budget deficits financed by increasingly precarious overseas borrowing in the 1980s; monetary or fiscal overkill at various times in the 1980s, especially in West Germany and Japan, and the large swings in the dollar in the last few years.

Constructing a system which would have provided better signals on even one or two of these occasions will be neither intellectually nor politically easy.

It would also be best to start from the key elements which now exist: that is three main world currencies: the dollar, the mark, and the yen, to which the other developed countries are attached in varying degrees.

The reason why France and Britain are so anxious to keep the Group of Five in existence as a closed club apart from the Summit Seven (which includes Italy and Canada) is plain. The Seven are too large a group for intimate negotiations, and it will be all too tempting for the US, Germany and Japan to come together as an informal inner directorate.

But this inner directorate will develop in any case. Rather than fight a losing battle against it Britain and France should see their role as contributing to the pool of workable ideas, which are in none too plentiful supply.

While in the past French governments have been a little too glib with ideas of a debating kind, the British Government has been too reticent, partly because the over-serious system of Whitehall clearance is unsuited to the promotion of ideas which are not intended to be a detailed blueprint, and partly out of a desire to keep in step with German ultra-caution.

For the foreseeable future the US, Japanese and German governments will be unwilling either to practice benign neglect towards their exchange rates or agree to a permanently fixed relationship. The arrangement may be described either as managed floating or as wide, movable (and unpublished) target zones. The reality is one of intense mutual surveillance with temporary and half spelt-out understandings, often reflecting fear rather than positive agreement on an exchange rate patern.

What is most clearly lacking is any common understanding of the domestic monetary policies required to back up any currency understandings among the Big Three; and the role if any of fiscal policy. The IMF indicators are too many and too capable of alternative interpretation to provide a focus for co-operation.

Among economists there has been a gradual, and still controversial, shift towards seeing fiscal rather than exchange rate policy as the clue to the balance of payments.

This is an aspect of the simple identity that a country's current payments deficit (if it has one) is the difference between domestic investment and domestic savings.

To narrow this gap, the savings-investment gap has also to be narrowed. The main policy instrument will be bringing the budget into better balance. But governments can also help by removing tax inducements to borrowing and increasing incentives to savings.

The same thing applies the other way round to countries which are worried (or are forced by their partners to worry) about excessive current surpluses. They have to unbalance their budgets and/or encourage domestic borrowing and remove inducements to savings.

Prof. James Meade has pointed out that if governments were to adopt wealth objectives, which included overseas assets in the definition of wealth, in place of balance of payments objectives, they would not need to agree with each other on what these objectives should be.

Be that as it may, the primary instrument of either a payments or a wealth objective would be fiscal policy.

There can be an advantage to a deficit country in being able to supplement fiscal tightening, with exchange rate depreciation, to make it more profitable to switch freed resources into exports and reduce the likelihood of recession. This is what the UK did a year ago when sterling was allowed to fall under the impact of lower oil prices.

But this flexibility (which depends on money illusion or rigidities in wage-fixing) has to be set against the greater stability and predictability of the exchange rate in a wider monetary union. Texas and Scotland both forego the ability to devalue for the sake of the benefits of belonging to a single currency area.

If Britain were to join the EMS, the problematic gains from being able to devalue against European countries would be reduced in return for more predictable and stable exchange rates within an area accounting for more than half of British trade.

That, however, is something of a digression. The problem with the Big Three system of the dollar, yen and D-mark (or of a G5 or G7 system) is that it lacks an anchor.

Something more than agreed exchange rates between the Three is required if the world is not to suffer from an inflationary or deflationary bias.

The case for relating monetary expansion in the Big Three to Nominal GDP has been made frequently in this column. But the fact has to be faced that targeting Nominal (or real) GDP depends heavily on forecasting and estimation and is far removed from the prices reported daily in the market place.

At least as a check, it would be worth trying to stabilise—inside a broad band—some index of world commodity prices. This would probably not be the general commodities shown in the chart, but a carefully chosen list of key materials.

During a time such as the last few years, when the terms of trade of commodity production have been falling relative to to manufactured goods and services, a stable commodity index would not guarantee overall price stability. But it would prevent an inflationary take-off, and within the broad guidelines there would be plenty of room to experiment with fine tuning.

A commodity price objective would have been a powerful warning against the inflationary boom of 1972-73 and 1978-80. It might also have signalled the over-doing of monetary stringency (despite the misleading messages of the monetary aggregates) in 1985-86.

In 1987, a commodity approach might suggest that the best time for stimulation in the industrial world has already passed. Yet it would also show by reference to the fact that commodity prices are still below those of 1984-85, that current inflationary alarms are overdone on a global scale, although not necessarily for the US or UK.

A commodity price objective would work with the grain in many ways. It would tie up with the desire of some US Federal Reserve members to find a superior lodestar to the monetary aggregates.

Moreover, it would be a positive advantage if countries followed a commodity price index denominated in their own currency. For this would have a restrictive influence on countries with weak currencies such as the dollar, in terms of which commodity prices have risen most this year, and an expansionary bias in the hard currency yen and D-Mark areas where commodity prices have risen least.

For national monetary policies, commodity prices are best used as a policy indicator, until we are far more sure of our ground. But when it comes to international currency units such as the SDR or the Ecu, one might go further and advocate a definite commodity standard.

One reason why these units are so friendless is that they are now simply baskets of existing national currencies. If they were defined in terms of a batch of commodities, they would have far more attractions.

There would then be a point in national governments trying to stabilise their currencies against the SDR or Ecu, as a guarantee of anti-inflationary virtue which it would not be today.

Ultimately, no monetary system can simply be based on promises to exchange one piece of paper against another, which is all we now have both domestically and internationally.

Lombard

North-South: how the City can help

By John Plender

THE City of London attracts the best brains in the country and puts them to work in a frenetically innovative environment. It pays them fat salaries that are widely resented, so contributing to the impression of a North-South divide in the British economy. Why, you might ask has all this highly paid talent failed to crack one of the country's most pressing financial and social problems: the obstacle that the housing market puts in the way of people who want to move from the depressed North to the South, where financial and other service industries thrive?

There is an obvious solution to hand, in the shape of the equity-linked mortgage. In slightly over-simplified terms, this would permit the home owner to leave, say, a £50,000 house in the North for a £100,000 one in the South on the basis that the lender charged half the going interest rate on the new mortgage in exchange for a half interest in the equity of the new house. The home owner sacrifices 50 per cent of the capital appreciation, which sounds tough. But for most practical purposes, the financial outcome is not so different from buying another £50,000 house; and the prospects for capital appreciation on that £50,000 may be better in the prosperous South than north of Watford.

Most of those in building societies, banks and elsewhere who have tried to promote equity-linked mortgages have found plenty of enthusiasm among employers and the general public. The difficulty appears to lie with the providers of the funds. For banks and building societies, which have to pay market rates of interest on their deposits, it is not possible to invest in an asset which yields little more than half the expected return in the form of income, while the rest takes the form of a capital gain. So they have to introduce their potential equity - linked borrowers to institutions such as the pension funds, for whom the distinction between capital and revenue is largely irrelevant.

For the tax exempt pension funds a well-packaged collection of mortgages ought to look relatively attractive. The risk is low, compared with the risk in equities, because the house provides sound security for the loan while the individual's earnings provide cover for the interest. Since house prices tend, over long periods, to follow the trend in earnings, equity-linked mortgages are well matched to earnings-related pension liabilities. And over the past two years the average equity-linked mortgage would have shown the investor a much better return than gilt-edged or commercial property, though it would not have kept pace with the return on UK equities.

Why, then, has the idea failed to take off? One objection is that mortgages are simply not sufficiently marketable. This seems a mite academic, given that pension funds are supposed to be in business for the long haul. Nobody suggests that mortgages should represent a huge chunk of the portfolio (or indeed that the volume of pension fund money in home lending should reach the point where house prices are dramatically affected). And despite the 20-25 year span of the normal British mortgage, the average life is less than 10 years because of early repayments.

Equally to the point, lack of marketability should not be an obstacle when innovative financiers have learned the art of securitisation, whereby even the humblest car loan can be turned into a tradeable financial instrument. Could it be that all those clever folk in the City have so far only come up with the financial equivalent of the Humber Bridge?

Maybe. But a further possible explanation is offered by Mr Robin Ellison, a director of Finance for Housing, one of the first in the field. While pension fund managers and trustees have shown interest, he says, their merchant bank advisers are almost always against, on the grounds that the investment is outside the mainstream and does not fit neatly with their own experience or existing management structure. More City short termism? Sheer conservatism? Or is it simply that merchant banks stand to make more money from their clients dealing in equities and gilts?

Letters to the Editor

Aid and trade: Altruism is not enough

From Mr J. D. Kimber

Sir,—The letter from Mr Graham Clark of Swansea University (July 18) in many ways exemplifies the key problem in the debate on aid and trade: the dichotomy between development economists and industry.

Some comments on one or two of Mr Clark's points will set this theme in context.

Firstly, Mr Clark does the Minister for Trade an injustice. His department, the DTI, is well aware of the Toye and MacQuaide case study report referred to, and criticised it on its release in 1986 for using out of date evidence, irrelevant to today's Aid and Trade provision.

Secondly, no one has ever said that the primary purpose of overseas aid is to secure contracts for British industry. Both the DTI and industry fully acknowledge the developmental importance of UK aid spending. Their qualm is that developmentalists do not recognise how important aid is to industry, and by extension, the British economy.

Thirdly, Mr Clark is absolutely correct; effective planning on aid from the UK end is necessary, but the emphasis must be on effective.

In contrast to the oft quoted "Zambian bus" case, industry has a wealth of examples of Overseas Development Agency executed developmental schemes delayed by lengthy, unfocused data collection, measured on questionable criteria, imposing bizarre demands on developing countries, producing uncertain (ie potentially negative) benefits and costing the British taxpayer a lot of money.

Both industrialists and developmentalists then are well armed with evidence, assertion and innuendo, but merely to maintain the barrage gets us nowhere. In such a war of attrition, the real enemy, the size of the UK aid budget, slips quietly by.

Britain's share of total spending on aid is small and falling. In 1986, the UK's aid budget ranked sixth out of the Group of Seven countries, Canada, with a much smaller economy than ours, came only 0.1 per cent behind. The UK's official development assistance grew by only 9 per cent from 1983 to 1986 compared with a 22 per cent increase by West Germany, 35 per cent by France, 50 per cent by Japan and 191 per cent by Italy.

Is it not in the interests of all sides to work together for more and better aid? This can only be achieved by each side fully acknowledging the legitimacy of the other's concerns, rather than tearing each other down. Basic altruism, as the evidence suggests, can only advance the argument so far. Altruism and self interest, Alan Clark's "mutual recognition of profit and advance" could prove an irresistible combination.

J. D. Kimber,
Watson Cottage,
High Street,
Waltham on the Wolds,
Leics.

Welcome assistance

From Mr H. Hornsby

Sir,—We applaud the recent speech by Mr Alan Clark, Minister for Trade, in which he advocates that Government aid should be increasingly directed towards assisting British manufacturers to compete with foreign firms to obtain export orders for capital equipment. Our principal competitor countries allocate far more aid than the UK Government does for British manufacturers. Recent figures published by the Overseas Project Board show that Japan, France and West Germany each allocate up to four times as much aid in bilateral form compared with the UK.

We particularly welcome Mr Clark's statement that the mechanics of the Aid and Trade Provision (ATP) scheme should be improved so as to be more easily accessible to smaller firms. This council represents through its 18 trade association members nearly 1,400 companies in the mechanical engineering and metal forming sectors, varying from large to small. We have for a long time advocated simplification of the present bureaucratic application procedures, and are at this moment working up specific proposals to this end.

We also strongly support his proposal that the administration of ATP should be a function of the DTI. There is no logic in this function being handled by another department, while the British Overseas Trade Board and its projects and export policy division fall within DTI. The present system merely makes it all the more difficult for manufacturers, particularly small ones with limited resources, to find the time for all the consultations that are necessary.

Harry Hornsby,
Director-General, Council of Mechanical and Metal Trade Associations (COMMET).
Artillery House,
Artillery Row,
Westminster SW1
NO 15—8/8½

Thoughts on think tank

From Mr N. Butler.

Sir, — A think tank of the left, as proposed in John Lloyd's article (July 20) requires not just funds and enthusiasm, but also some guiding principles.

To begin with, such a body would do well to revive the concept of the public good—in economic terms a welfare function not maximised by the operation of market forces alone. No one on the serious left can ignore the role that markets do and should play in the provision of products and services, but that role must be balanced by legislative intervention, subsidy and taxation in order to maximise public welfare. The key to achieving the optimum public good is the creative use of public power through central and local government, and it is on this that any new body should focus.

Government has become so unfashionable that the potential of public power has been neglected. Errors of public policy have been used as arguments with which to justify a reduction in the role of the state, rather than as problems requiring reform or rethinking.

Just as the Institute of Economic Affairs and the Centre for Policy Studies have been dedicated to reducing the role of government, so any new body should be concerned to correct the imbalance by analysing and optimising the use of public power. Such work is urgently needed in the many areas, from housing policy to the international debt crisis where market forces are proving not just inadequate but detrimental to any rational definition of the public good.

Nick Butler,
vice-chairman, Fabian Society,
11 Dartmouth Street, SW1.

Instant payment baffles Revenue

From Mr R. J. Steel

Sir,—I refer to the Men and Matters item, Taxman's windfall (July 21) but cannot understand how Mr Fletcher's suggestion is effective.

Surely the use of a courier to take a large cheque to the Bank of England would not result in the Bank getting cleared funds any sooner, as the cheque would still go through the normal two-day clearing cycle. Since interest is based on cleared funds, there should be no benefit to the Inland Revenue or Exchequer.

Instead, the Revenue might encourage the use of electronic funds transfer, typically by the CHAPS system, which gives an immediate transfer of cleared funds. The Skipton Building Society did attempt this on one occasion last year and payment was made to the very same bank account specified on the Revenue's paying-in slip. The result was a call from the collector's office a few days later to remind us the payment was overdue.

We then had some difficulty explaining the electronic funds transfer and proving that the payment had indeed been correctly made (despite a minor hitch). In the end, Barclays and the Bank of England came to our rescue and confirmed our story. The Revenue's view seemed to be that they would prefer to stick with a good old-fashioned cheque or paying-in slip.

Sadly, I doubt whether the IRSF will fight for the society to be rewarded for this suggestion.

R. J. Steel,
Chief Accountant,
Skipton Building Society,
High Street, Skipton,
North Yorks.

BA-BCal: market power essential

From Mr N. R. Z. Martin

Sir,—Mr Sawers (July 21) doubts the practical benefits of the BA-BCal merger and questions the commercial merit of the proposal. Such considerations are best judged by the prospective airline's management. Others should confine their concern to matters of the public interest.

Current opinion on this matter is split between those who see the merger as preserving the international strength of British airlines in the face of the potential demise of BCal, and those who fear the monopoly position that the merger may create in the domestic market. Yesterday's offer by Air Europe to buy the European and short-haul routes of BCal shows that the divestment of such routes by the merged airline is a practical solution to the problem, and one that has been used before in corporate mergers where similar public interest issues have been raised.

Market forces are not the dominant regulating factor in the international air travel market. In these circumstances, an element of market power is essential to ensure an airline's continuing success and survival.

Those who do concern themselves with the national interest should thank their lucky stars that BA is willing to merge with BCal, rather than allowing it to lose profitable routes to foreign competitors.

Nicholas R. Z. Martin,
19 Brayburne Ave, SW4

FINANCIAL TIMES

Thursday July 23 1987

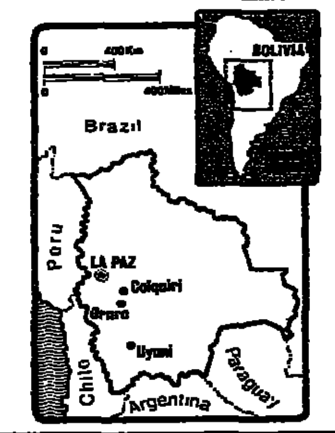
Robert Graham reports on painful measures undertaken to cure 24,000% inflation

Bolivia comes down to earth with a bump

NOT LONG AGO the possession of Bolivian currency was like watching a fruit machine out of control. The zeros kept being added in a dizzying inflationary spiral.

The notes are still in use with the same denominations in millions and thousands, but since January the peso has given way to the boliviano.

Six zeros have been knocked off. Slowly, the Bolivians learning the unaccustomed pleasure of counting in ones and twos. A tin miner who last year had a daily basic wage of 1.2m pesos now has just 1.2 bolivianos. Not very much (about 75 US cents), but the economic stabilisation programme of President Victor Paz Estenssoro, initiated in September 1985, has been a brutal reminder of Bolivia's poverty.



The economic stabilisation *programme of President Victor* Paz Estenssoro (left) has been a brutal reminder of Bolivia's poverty, but it has produced results.

Inflation *is* down dramatically and workers no longer *need a barrow to fetch* albeit meagre wages since the peso was abolished and six zeros knocked off the country's currency.

The traumas of readjustment are not over yet, and there are *no guarantees about the country's* future economic health, but there is a feeling in Bolivia that a fresh start has been made and that there is chance for regeneration.

The stabilisation programme, the most advanced experiment in neo-liberal economics in a Latin American debtor country, has produced some remarkable results. In less than 18 months inflation has been brought down to 12.5 per cent from 24,000 per cent a year - some say it was 28,000 per cent, but once it went beyond 20,000 official statistics gave up any pretence of precision.

For a country stuck with Quixotic labels like possessing the highest capital, the highest navigable lake, the greatest numbers of coups since independence and the largest production of coca leaf, this is an achievement putting Bolivia in the real world to which it is now trying to belong.

The adjustment has been traumatic. The 78-year-old President has been *systematically* overturning many of the sacred cows established by the 1952 revolution for which he in his younger days was part responsible: the strategic mining sector is being partly denationalised, *foreign capital is being welcomed*, the powerful trades union federation COB, Central Obrera Boliviana, has been weakened.

Many of the state institutions have been shaken out to the roots. The central bank, which presided over the printing presses and dollar exchange rate that lined many a pocket, has seen over 70 per cent of its staff dismissed.

Mr Juan Carriaga, the US-trained Finance Minister, said: 'When I arrived at the ministry I asked how much do you spend each day? No one knew. So for the next month I came at six in the morning, working with a computer until we established a system. There was huge disorder and inefficiency'.

Clearly the country was yearning for greater stability and tackling hyperinflation was imperative. However, the cata*lyst for change was the October* 1985 collapse in the tin market. Tin accounted for 40 per cent of the country's then $720m export earnings. Without this cushion, any pretence of being remotely able to cope with servicing for*eign debt of $3.7bn thus disap*peared. Bolivia was a basket case.

The Paz Estenssoro Government realised that international assistance would be most *forthcoming if the country was* demonstrably attempting to resolve historic economic structural problems - and being tougher on the illegal drugs trade. It was also accepted that landlocked Bolivia could not *easily adopt a self-sufficient* economic stablisation programme like Peru.

The basis of the stabilisation programme was freezing public sector wages, raising revenues through dollar-denominated prices for services from public enterprises which were put on a self-financing basis, deregulating banking, foreign exchange and price controls, tax reform, eliminating import restrictions with a uniform 20 per cent tariff and making labour laws more flexible.

This has led to massive public sector lay-offs, especially in the state-controlled mining group, Cominbol, where the workforce has been cut by 75 per cent to 7,000. There have also been heavy private sector lay-offs, including at least 20,000 in the mining sector.

This has pushed up unem*ployment to over 20 per cent.* Because mining has traditionally been in the altiplano (high level areas), re-employment is complicated by the scarcityof jobs in the semi-tropical and tropical east round Santa Cruz.

The Government maintains there was no alternative to these dismissals, saying that, while there will be serious short-term hardship, the collapse of the tin business will help force the country towards previously *ignored* export-oriented industries, especially agriculture.

The unions have so far failed to show real muscle in preventing the pace of charge, and the *statement issued by the COB after* its congress last week in Santa Cruz sounded unusually shrill and impotent. The Government has seized the initiative for the time being.

The next stage is economic re*activation, a plan for which was* unveiled two weeks ago. The Government is to spend $100m immediately, $60m on capitalising companies and banks effectively bankrupted by hyperinflation and $40m on special construction projects to generate employment.

This money will be raised by pledging part of Bolivia's $400m worth of gold, but the real investment funds totalling $1.5bn over the next three years will come from international financial institutions and bilateral agreements. At the same time *Bolivia hopes to obtain debt relief* by being able to purchase up to $900m of its own debt via a novel arrangement of receiving the purchase money in the form of aid from other governments.

For the reactivation programme to work, *officials* are conscious that the banking system has to be quickly restored to health (at the height of inflation total deposits were no more than the equivalent of $3.5m and bad debts still average 35 per cent of portfolios). The state bureaucracy has to be streamlined and the country's creaking infrastructure made more cost efficient. Otherwise delays will occur in disbursement and social tensions could return.

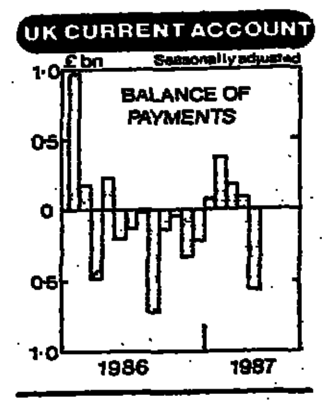
Equally, Bolivia's international financing relations are finely balanced. With tin prices still depressed and a disputewith Argentina over $35m annual gas sales, Bolivia is down to $45m in cash reserves. The only reliable cushion remains some $800m from the illegal cocaine business, scarcely dampened by last year's highly publicised US assistance.

But there is a *feeling* the country is making a new start. Next month new banknotes will be issued showing for the first time artists and writers, reminding Bolivians that there have been not just military rul*ers in their history.*

THE LEX COLUMN

May's chilly trade wind

All right, the trade figures for May were disappointing, but the extent of the stock market reaction suggested that dealers were looking for a plausible excuse *to fill the screens with red.* Last week's equity market bubble has been well and truly punctured, with the FT-SE's 46-point setback only a decimal point short of the record for a one-day decline for this index, and the *four-day* reversal stretching to some 99 points. But at least the equity market had begun this correction from a record peak. In gilt-edged the rot had already set in, and there have certainly been no signs of euphoria. So the *further* two-point markdowns yesterday looked a very exaggerated response to the particular circumstances of the UK import-export balance, and the rise in yields may owe as much to general weakness in other major bond markets around the world.



However, the trade figures, along with the credit and retail sales statistics published on Monday, certainly give some ammunition to those who believe UK economic growth is getting up too much of a head of steam. The normal remedy, higher interest rates, is particularly damaging to securities markets - and the gradual push*ing up of inflation forecasts* by City economists does not help sentiment either.

Moreover the notion that the UK, newly revitalised, could grow its own individual way out of the problems posed by a sluggish world economy *could not* survive a serious tightening of official policy. That leaves UK equities following where Japanese stocks have led this week, London being prompted by a further reminder of the avalanche of BP stock coming after the holidays. But setbacks can be healthy; there is every chance the market will bounce off a firm base before very long.

BAA

If the market continues to dive over the next few days, and the BAA share price opens next Tuesday at a heavy discount to the prices paid by the bulk of institutions in the BAA tender offer, it is certain that the City will bad-mouth the County Bank experiment. But the Government should not be dissuaded from attempting the same method in all its forthcoming offers for sale. No one forced the institutions to pay up to 320p a share, and in their other guise as underwriters, they were obliged to pay only 245p per share in the improbable event of the public turning up its collective nose at that highly attractive price.

The next step for a cost-conscious Government will be to tackle those sub-underwriting commissions. But the savings to the taxpayer in this area are much smaller than those *to* be gained by proper pricing. The County Bank tender meant that the Government received £56m more than it would if the whole issue had gone at the lower fixed price. If instead subunderwriting commissions had been cut to an average of about ½ per cent, then the saving *would have been no more than* £6m.

It is not only the Government which should draw lessons from the success of the blind auction method. Private sector vendors should follow the same route of insisting that big *investors* pay a premium for achieving a reasonable weighting without risking the crush of the after-market.

TSB/Hogg Robinson

If TSB hoped that the slide in equity prices in general would add glamour to its 600p offer for Hogg Robinson, market movements must have disappointed it yesterday. True, Hogg's price eased *to* 625p at one stage, but by the close it was hitting a new peak of 639p on rumours of an imminent counterbid.

Hogg's shareholders will have to post their proxy votes by tomorrow if they are to block the demerger, as they are being loudly requested to do by TSB. Unexpected intervention apart, should they do so? They can, after all, reason that if TSB is a keen buyer this week it will still be interested next week in the demerged travel and estate agency side, with Mr. Robert Holmes a Court, in the guise of Dewey Warren, able to bid separately for the insurance broking operation (the two corporate offspring will trade separately in the market from Tuesday if the plan is approved).

On balance shareholders should support the Hogg Board and accept the danger that follow-through bids will not appear, or that the price will not be so favourable. Smaller investors can consider a sale at around *640p as a low risk alternative.*

TWA

Equity is, like the summer rain, pouring onto the London stockmarket. *But, according to Kleinwort* Grievson, the net evaporation of equity in the US market over the past three years is equal to all the new equities issued there since the Korean War. Both Philip Morris and Coca Cola have recently announced share buy-backs and now Carl Icahn, already responsible for more than his fair share of equity disappearance, proposes to take TWA private.

The precise motives of the green-mailer turned airline executive remain a little mysterious. Buying up his own 73 per cent stake, as well as the minority shareholders, releases some of the capital gain without hav*ing to sell in the market and de*stroy the price. It also allows him to get his hands on the $750m of cash or cash equivalent in the company. But it is no great secret that Icahn has been looking for a buyer and it is not clear *how going private will* help him in that quest. Perhaps he is implicitly admitting that he has missed the wave of airline mergers and that TWA will be able to eat into that mountain of debt more efficiently as a private concern. With the industry and TWA moving into a stronger trading period Drexel claims, this time, it will have little trouble selling the debt.

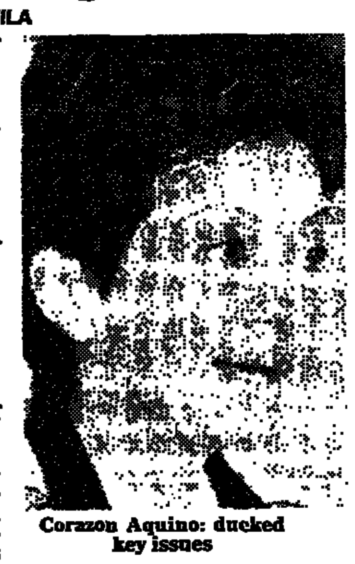
Aquino signs land-reform decree

BY RICHARD GOURLAY IN MANILA

PRESIDENT Corazon Aquino of the Philippines yesterday signed a long-awaited decree on land reform to permit the break-up of large estates, in*cluding the crucial coconut and* sugar plantations, and enable the country's peasant farmers to become landowners.

But historic though her action is, she ducked all key issues of detail such as the timing of the break-up and passed responsibility for those decisions down to Congress, which she asked to make an announcement within 90 days.

As a result Mrs Aquino has dropped short of what many of her cabinet members had wanted to see. Instead she has fallen back on provisions in the constitution that call on the legislature to decide the controversial maximum land holding, or retention limit, for sugar estates like her family's 6,000-hectare Hacienda Luicita, one of the largest property holdings in the Philippines.



Corazon Aquino: ducked key issues

Land reform is one of the most sensitive and pressing is*sues in many Third World coun*tries, hardly any of which have grasped the nettle of breaking up long-standing land holdings of the traditional ruling elites. The issue is more one of social and political significance than any great economic reform.

Mrs Aquino said she considered her land reform programme a top priority and would stress its importance in her state of the nation address to Congress when it meets for the first time on Monday. Exactly six months ago 15 farmers campaigning for land reform were shot dead by government troops in a Manila rally, triggering intense pressure on Mrs Aquino to pass land reform laws, using her powers to legislate by fiat. She loses these powers once the new Congress sits on Monday.

Mrs Aquino hinted that she and her children might voluntarily give up their part of the family sugar estate. She gave no details, suggesting only that there was strong resistance from her five brothers and sisters but that they would support her decision.

Many government ministers and observers see a well implemented comprehensive land reform programme as an essential tool in the 18-year-long fight against communist-led insurgents. Peasant leaders in the past have doubted whether a Congress dominated by landed interests, as this one is, will pass anything but a watered down law on land reform.

Mrs Aquino approved an initial fund of $2.5bn to carry the programmme through to 1992. However, almost none of this has been appropriated and tight budgetary constraints mean the Government will probably have to rely on the uncertain sale of Government-held assets to finance the compensation of landowners.

Mr Jaime Ongpin, the Finance Secretary, will fly to Tokyo next month to try to convince international aid donors to provide *development assistance. Many,* including the World Bank and the Japanese Overseas Economic Co-operation Fund, have already ruled out financing the compensation of landlords but are willing to give development funds.

By declining to use the powers she still retains until July 27 to legislate by fiat, Mrs Aquino risks her legislation being blocked in Congress. Some congressmen have already said they would like to draft their own land reform programme without interference from the executive branch.

It is not clear how Mrs Aquino will be able to impose her will on Congress should the legislators not agree the land reform priorities and retention limits within 90 days.

Senior staff at Midland equity arm may resign

By Clive Wolman in London

SENIOR STAFF of Greenwell Montagu Stockbrokers, the equity arm of what was one of the UK's leading stockbrokers, have *provoked* a public confrontation with its owners, Midland Bank, by threatening to resign, en masse.

As many as 30 analysts and senior salesmen, of whom about six have already resigned, are *believed to be discussing* job moves with propective employers. This is in addition to the five directors and partners of W. Greenwell, the firm's name before the merger with Midland Bank, who resigned in the spring and another eight salesmen who resigned to join Smith New Court earlier this month.

The revolt has been simmering since March when the Midland Bank announced without warning that Greenwell would be withdrawing from equity market-making. The spark came last week with Midland's rejection of an offer to buy Greenwell, which specialises in equity research and dealing for institutional investors.

The offer, thought to be worth about £12m, from Morgan Stanley, the leading US investment bank, was rejected within 24 hours of being submitted. Morgan Stanley orginally sought to *recruit Mr Keith Brown,* Greenwell's new managing director and a leading bank analyst, and a few other staff. Mr Brown suggested instead that Morgan Stanley make an offer for the entire firm.

Midland Bank said last night that it was planning a major change in the strategy for its UK equity business.

Options under review include expanding the firm through acquisition or large-scale recruitment. This could involve a return to UK equity market-making in a limited number of industrial sectors, an option which was originally rejected in March.

Another option is to cut back sharply on staff and develop closer links and greater cross-selling of securities with the assortment of securities firms and investment banks owned by Midland Bank in other countries.

Midland pays price, Page 8

Icahn plans to take TWA private

By Anatole Kaletsky in New York

TRANS WORLD Airlines, the US international airline which is controlled by Mr Carl Icahn, the New York investor and corporate raider, is planning to go private.

The ambitious transaction will enable Mr Icahn to walk away with $438m in cash and consolidate his personal control of TWA, while further increasing the debt of what is already one of the most highly leveraged companies in the US.

The deal could also have broader implications for the US airline industry, where TWA has long been mentioned as a candidate for merger, as well as for USX, the leading US steel company, in which Mr Icahn is the biggest single shareholder. An earlier attempt by Mr Icahn to take TWA private and realise a cash gain on his 1985 takeover of the company foundered more than a year ago on the unwill*ingness of the market in "junk* bonds" - low-rated, high-yielding bonds - to lend more money to the highly-indebted airline.

This time, by contrast, the financing has been guaranteed in advance by Drexel Burnham Lambert, the aggressive investment bank which dominates the junk bond business. One reason for Drexel's new-found confidence appears to be the sharp improvement in TWA's operating results since Mr Icahn took control of the company in January last year.

This was confirmed in second quarter figures announced yesterday, which showed a net profit of $52.8m or $1.28 a share, *against a loss last year of $87m* or $2.22. Nevertheless, the results were slightly below forecasts by some Wall Street analysts.

The year-on-year comparison is distorted by the flight atten*dant strike and hijacking fears*

EC to investigate UK airline merger

BY TIM DICKSON AND WILL DAWKINS IN BRUSSELS

THE EUROPEAN Commission will announce today that it is investigating the proposed merger between UK airlines, British Airways and British Caledo*nian.*

Commission officials are examining whether the link-up will disort free competition in EC air transport. It is also possible that they will examine the effect of the takeover on the air*lines' hotel and catering inter*ests.

It was made clear last night that the Brussels authorities do not have the power to *stop* the merger, but their action is bound to add more uncertainty to a *deal* which *is attracting* growing criticism. The competition rules of the Treaty of Rome - the main source of EC law - outlaw any agreement likely to hamper free competition.

If the Commission finds that *free competition is being* threatened, it can propose measures to end the suspected abuse,though it cannot do so until after the merger has taken pLace. If the suspected in*fringement is not stopped, the* Brussels authorities could then issue a so-called "reasoned decision", *thereby* authorising the member states involved to remedy an infringement. This would also give customers and *suppliers a firm legal base to* defend their own interests.

The move is the latest example of the Commission's increasingly tough stance on competition policy. It follows an announcement earlier this *month that the Brussels* executive is preparing to tale direct legal action against individual EC mergers likely to distort competition unless Britain lifts its opposition to a proposal to set up general controls on *cross-border takeovers.*

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	S	34	93	Malta	S	37	99	Rhodes	S	35	95
Algiers	S	31	88	Edinburgh	S	18	64	Manchester	C	15	59	Rio de J'o	C	22	72
Amsterdam	S	20	68	Faro	C	21	70	Manila	C	33	91	Rome	S	29	84
Athens	S	35	95	Florence	S	28	82	Melbourne	F	11	52	Salzburg	S	22	72
Bahrain	S	35	95	Frankfurt	F	22	72	Mexico City	S	20	68	San Francisco	S	13	55
Bangkok	S	35	95	Funchal	C	22	72	Miami	F	31	88	Seoul	R	24	75
Barcelona	F	22	72	Geneva	F	23	73	Milan	F	24	75	Singapore	F	30	86
Beirut	-	-	-	Gibraltar	F	24	75	Montreal	C	23	73	Stockholm	S	26	79
Belfast	S	18	64	Glasgow	S	20	68	Moscow	F	24	75	Strasbourg	FH	21	70
Belgrade	S	32	90	Guernsey	C	15	59	Munich	F	20	68	Sydney	R	09	48
Berlin	F	24	75	Helsinki	S	27	81	Nairobi	C	25	77	Taipei	S	34	93
Biarritz	C	20	68	H. Kong	R	27	81	Naples	S	35	95	Tangier	F	24	75
Bombay	R	26	79	Innsbruck	S	20	68	Nassau	S	31	88	Tel Aviv	S	32	90
Bordeaux	F	21	70	Inverness	F	15	59	New Delhi	S	38	100	Tenerife	S	26	79
Brussels	S	19	66	Islamabad	S	40	105	New York	S	23	73	Tokyo	F	33	91
Budapest	S	29	84	Istanbul	S	31	88	Nice	S	24	75	Toronto	C	23	73
B. Aires	S	17	63	Jakarta	C	34	93	Nicosia	S	38	100	Tunis	S	33	91
Cairo	S	39	102	Jersey	C	18	61	Oporto	F	17	63	Valencia	F	28	82
Cape Town	S	18	64	Jo'burg	S	12	54	Oslo	S	27	81	Venice	S	28	82
Caracas	C	26	79	Lima	C	20	68	Paris	C	17	63	Vienna	S	25	77
Casablanca	F	24	75	Lisbon	S	23	73	Peking	S	30	86	Warsaw	C	22	72
Chicago	S	32	90	London	C	16	61	Prague	F	23	73	Washington	S	29	84
Cologne	F	21	70	Los Angeles	S	16	61	Reykjavik	C	13	55	Zurich	F	20	68
Copenhagen	C	17	63	Luxembourg	F	16	61								
Corfu	S	37	99	Madrid	S	29	84								
Dallas	S	24	75	Majorca	F	29	84								
Dublin	C	17	63	Malaga	F	28	82								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Fireman's Fund adds $360m to reserves to cover US claims

BY NICK BUNKER IN LONDON

FIREMAN'S FUND, the California-based property/casualty insurance company, has unexpectedly declared a second-quarter loss and added $360m to its loss reserves to provide against claims from the early 1980s.

It said that about half the $360m was to cover it against claims in the US arising from problems like asbestosis and *environmental pollution.*

The large reserve bolstering exercise meant that Fireman's Fund reported a second-quarter operating loss of $159m. A realised capital gain made the final loss $115.5m.

The news led to fears in London last night that other companies including Commercial Union Assurance would be forced to follow suit and strengthen reserves.

Fireman's Fund said it increased reserves by a total of $587m in the first half, of which *$476m was added in the second.*

Of that, $360m was an additional provision made after fresh actuarial scrutiny of reserves arising from underwriting in 1982 to 1984.

About $90m of that figure related to underwriting by two subsidiaries, Interstate in Chicago, and San Francisco Reinsurance. In 1982-4, Fireman's Fund had a widely-criticised programme of rapid growth

On Wall Street yesterday, stock analysts said Fireman's Funds reserve strengthening - *which was $300m larger than* most forecasts - would probably not lead to similar action by other major US insurers.

INTERNATIONAL APPOINTMENTS

Sudden resignation hits NZ takeover controversy

BY DAI HAYWARD IN WELLINGTON

THE SUDDEN resignation of Mr Lyn Papps as chairman of New Zealand Forest Products has furthered concern over a possible closed door arrangement between NZFP and Amcor of Australia and possibly Fletcher Challenge, the New Zealand group which has extensive forest products interests internationally.

Mr Papps was one of the strongest opponents to the bid by Fletcher Challenge to take over NZFP. This was rejected by the New Zealand Commerce Commission, but has now again been reactivated by Fletcher Challenge.

As a defence move, NZFP and Amcor are *attempting to* link their pulp and paper operations. Mr Papps was involved in the first approach to Amcor last year.

In the brief statement announcing his resignation, Mr Papps, *who is 67 years of age,* gave no explanation except that it was for personal reasons. He is to remain a director of the company.

His position as chairman will be taken by Mr Bob Gunn, who is also chairman of RADA Corporation. RADA was set up as a subsidiary by NZFP and owns 25 per cent of its parent company. RADA has agreed to sell its stake in NZFP to Amcor if the New Zealand Commerce Commission gives the go-ahead for the Amcor-NZFP merger.

Mr Papps is one of the busiest company directors in New Zealand, serving as chairman or a director on probably more companies than any other New Zealand businessman.

Some commentators have pointed out that a more logical time for Mr Papps to step down would have been at the annual meeting of NZFP in August. Instead, his resignation statement said it was effective immediately.

Mr Russell Pettigrew continues as deputy chairman of NZFP. Mr David Meiklejon has been appointed to the board, joining the managing director, Mr Stan Wallis, as a second director for Amcor. There is some suggestion that the New Zealand directors of NZFP have become concerned at the growing influence of the Australian-based Amcor within Forest Products.

Mr Papps says the change of chairman does not reflect a change of policy for NZFP, and says his personal relationship with Amcor is very good.

* * *

BAXTER TRAVENOL Laboratories, the US health-care concern, has appointed Mr Vernon R. Loucks, Jr, 52, chairman, in succession to Mr Karl D. Bays, also 52, who resigned with effect from July 1, to become chairman and chief executive of IC Industries, the Chicago-based conglomerate, formed out of the Central Illinois railroad.

Mr Loucks continues as president and chief executive officer. Mr Bays continues as a Baxter Travenol director.

Baxter Travenol has also announced that Mr Silas S. Cathcart has resigned as a director, reducing the size of the board to 15 members. Mr Carthcart was recently elected president and chief executive of Kidder, Peabody Group, the US investment house.

* * *

MR FRIEDHELM JOST, 54, is to quit his position at Commerzbank, the Dusseldoff-based bank, as executive vice-president and *head of the International Bank*ing division.

Mr Jost has been with the bank for 36 years. No successor has yet been named to take over from him.

Mr Jost told Reuters he had asked the bank not to renew his present contract when it expired, but gave no definite leaving date. Where he is to go is uncertain.

Mitel finds an Ottawa chief out of London

By Robert Gibbens in Montreal

MR JOHN JARVIS, a 44-year-old computer and telecommunications industry veteran with broad consulting experience in Europe and the US, takes over as president and chief executive of Mitel Corporation, the *Canadian telecommunications* maker, in Ottawa next week.

Mr Jarvis is now head of PA Computers and Telecommunications in London, and he succeeds Mr Anthony Griffiths at Mitel. Mr Griffiths becomes chairman of Mitel's board. He took over leadership after British Telecom bought 51 per cent of the troubled Mitel late in 1985, and he has streamlined the company and brought its costs under control.

Mr Jarvis, an Oxford mathematics graduate, is moving with his family from London to Ottawa. It will be the first time he has worked for a British Telecom company.

Mitel's main product is telecommunications switching equipment and it expanded heavily under the leadership of Mr Michael Cowpland, its founder, in the early eighties. Mr Cowpland remains a director. "Mr Griffiths has turned Mitel's finances around," said Mr Jarvis, after the company's annual meeting in Ottawa last week.

Buyout bid brings steppings-down at Marine Midland

BY KEVIN HAMLIN IN HONG KONG

MR JOHN R. PRETTY, chairman of Marine Midland Bank, and its president, Mr Geoffrey A. Thompson, have resigned from Hongkong and Shanghai Banking Corporation's board to avoid any possible conflict of interest connected with HK Bank's offer to acquire the 48 per cent of Marine Midland that it does not already own.

At the same time, Mr Charles G. Blaine, a non-executive director of Marine Midland, has joined HK Bank's board. Marine Midland has two members on the board of HK Bank.

There are indications that this change may be a temporary measure that will last until a sub-committee of Marine Midland's board, set up to examine the offer, has made a recommendation to minority shareholders.

HK Bank offered US$ 70 per share in cash, or US$677m, for the 48 per cent of Marine Midland it does not own. HK Bank won control of Marine Midland in 1981 after a lengthy battle with US banking regulators and politicians.

Mellon makes switches

MELLON Bank Corporation, the Pittsburgh-based parent of Mellon Bank, one of the top 20 US banks, has appointed Mr Anthony Terracciano, at the moment vice chairman of Chase Manhattan Corporation, president and chief operating officer, with effect from tomorrow.

Mr Terracciano will take over as president from Mr George T. Farrell, who has been appointed senior vice chairman of Mellon. The position of chief operating officer is one newly created.

Mr Terracciano and Mr Farrell are to be members of the newly-formed office of the chairman, which will also include Mr Frank Cahouet, the chairman and chief executive; Mr Richard Daniel, vice chairman and chief credit officer; and Mr W. Keith Smith, vice chairman and chief financial officer.

Accountancy Appointments

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Due to internal promotion they are now looking to recruit a Manager of Operational Review. Heading up a young, energetic and enthusiastic team the role will involve responsibility for the planning and co-ordination of operational review and risk analysis across the entire spectrum of Merrill's activities including investment banking, the US and UK security and commodity markets, Euro securities and banking activities. Overseas assignments will involve travel (approximately 30%) to the US, Europe, the Middle East, the Far East and South America.

Candidates should be qualified Chartered Accountants in their late 20's or early 30's. Strong preference will be given to those with a securities background, or managers currently working within the profession who have gained in-depth experience of financial institutions. This is an extremely high profile role and therefore candidates will need to possess exceptional inter-personal skills. Career prospects are excellent.

If you possess the necessary qualities and are excited by the challenge offered, you should write to Jon Anderson ACMA, Executive Division, enclosing a comprehensive curriculum vitae and telephone number quoting ref: 436 at 39-41 Parker Street, London WC2B 5LH.

Michael Page Partnership

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A member of Addison Consultancy Group PLC

FINANCIAL PLANNING MANAGER

To £30,000 + Car + Subsidised Mortgage — City

This major British Public Group provides a diverse range of financial services to the consumer and is a leader in its sector. It has exciting and demanding plans to capitalise upon its current strong position, including acquisitions.

These plans result in a new position in the central finance team which will focus upon the evaluation of capital projects, acquisitions and operating unit performance.

The ideal candidate will be a qualified accountant aged around 30, with experience in a major accounting firm or in the financial or planning departments of a large company. Excellent interpersonal skills, a questioning intellect and a commitment to quality are essential.

Please reply in confidence giving concise career, salary and personal details to Heather Male quoting Ref. L256, at Slade Consulting Group (UK) Ltd, Metro House, 58 St. James's Street, London SW1A 1LD. Tel: 01-629 8070.

London · Melbourne · Sydney · Brisbane · Adelaide · Perth · Auckland · Christchurch

SLADE CONSULTING GROUP (UK)

Financial Controller

Ilminster, Somerset — c£20,000 + Car + Bonus

This challenging position arises in a modern manufacturing business unit (T/O c£10m) part of a major Public Group (T/O £900m) whose high technology products enjoy worldwide repute.

A qualified accountant aged 30-35, with relevant industrial experience is required to be responsible to the General Manager for the overall administration of the accounting function and act as Project Manager for the installation and implementation of new computerised systems.

As a key member of the management team, he/she will provide financial advice on all aspects of the Company's activities with a view to improving the efficiency and profitability of the unit and its overseas subsidiaries.

Candidates must also demonstrate the potential to assume increased responsibilities in line with planned expansion.

Applications under ref RC238 to:

Miss Marion Williams,
The McCann Consultancy,
Hazlitt House, 4 Bouverie Street,
London EC4Y 8AB

PA TO PARTNER

£23k—London

A new appointment, which will appeal to an energetic and accomplished ACA with partnership potential. This role is management orientated with the incumbents acting as quasi partners on client and staff matters. Six months to two years PQE experience with a medium to large firm. *Contact:* David Paton Public Practice Manager 01-734 4836 *or alternatively write to:* Finance Recruitment, Grafton House 2/3 Golden Sq, London W1

Appointments Advertising

£43 per single column centimetre

Premium positions will be charged £52 per single column centimetre

For further information, call:

01-248 4782

Daniel Berry Ext. 3456

Tesst Taylor Ext. 3351

Financial Controller

Essex £20-25k plus Car plus Benefits

We have been retained by a successful and growing group within the Financial Services Industry who require a Financial Controller to complement their first-rate Executive Team and reporting to the Chief Executive,

This is a new position, requiring an assertive, positive and energetic approach, combined with inter-personal and communicative skills.

Requirement of this important inividual is to be a qualified accountant, with sound, proven record of increasing responsibility in the finance functions within the commercial environment.

Whilst it is unlikely the parent organisation will seek stock market flotation, it is considered likely one of the main operating subsidiaries will achieve this goal and the successful candidate at some stage will have the choice of remaining with the Group or continuing as Financial Director in the operating subsidiary after flotation.

VENTHAM ACCOUNTANCY PERSONNEL

Warren House, 10-20 Main Road, Hockley, Essex

(0702) 204303

Finance Director

c. £22,000 + Car

For a Northern England based company which is part of a substantial British Group, producing joinery products marketed through architects and specifiers. The role is to help guide and achieve the targeted growth over the next five years.

Responsibility is to the Managing Director for the total accounting function, development of improved financial and management controls using computerised systems. A contribution towards the commercial management of the business is expected.

The need is for an ACMA with sound accounting experience as a Financial Controller in a manufacturing company using computerised systems. The post is based in an attractive town in the North. Probable age range mid 30s.

Please write in complete confidence giving full career details to Tony Riley or call 01-734 7282.

C&K EXECUTIVE SEARCH

Cox & King Executive Search Limited
1 New Bond Street
London
W1Y 9PE

CHIEF ACCOUNTANT

Dunstable — Circa £25K + Car + Bonus

A high calibre experienced accountant is required to head-up the finance function of a fast-moving and high technology publishing company.

We publish hard-copy and electronic travel information worldwide, with offices in Europe, USA, Far East and Australia. The Company is the world's No. 1 in its field and will continue to grow rapidly in a dynamic and complex international marketplace.

You will report to the General Manager. Commercial acumen, proven success at a senior level in a medium sized company, plus some international experience, are essential. Your leadership and communication skills backed by a high degree of commitment, will ensure your control of the department and effective liaison with other senior managers.

ABC INTERNATIONAL

Please forward your full c.v. to: Gina Williamson, Personnel Officer, ABC International, World Timetable Centre, Church Street, Dunstable, Beds. LU5 4HB.

a division of Reed Telepublishing Limited

FINANCE DIRECTOR

INSURANCE: MANAGING AND MEMBERS' AGENCY

c.£35,000 plus substantial benefits

Our client is a Lloyd's managing and Members' Agency where it is desired to give a new impetus to develop the business.

The finance director will be involved in all commercial aspects of the business and, *of course, lead the finance and accounting function itself.* There will be a need to operate in accordance with Lloyd's requirements and also to guide the development of computerised systems and procedures.

Applicants, ideally aged between 35 and 40, should be qualified accountants and possess insurance experience gained in a members' or managing agency. It is essential to possess relevant computer systems knowledge.

Appointment to the Board is likely to occur within six months. In addition to a basic salary, a car is provided, there is a non contributory pension scheme plus profit sharing and a bonus. In addition there is the possibility of equity participation.

In the first instance, please send career details in confidence to Michael Ping quoting reference F/1017/P at the address below.

E&W Ernst & Whinney
Executive Recruitment Services
Becket House, 1 Lambeth Palace Road, London SE1 7EU.

SENIOR FINANCIAL ROLE

for market leading financial services organisation

AYLESBURY
c.£35K + car + SUBSTANTIAL BENEFITS

The Equitable Life, the oldest mutual life assurance company in the world, has grown substantially over the last 10 years. It has a prime position in the field of *pensions and life assurance with a track* record which is the envy of its competitors.

The company has strongly developed its unit trust and unit-linked product range and has recently expanded into PEPs and other investment products. It is a non-commission paying office with 26 branches in the UK and has investment funds totalling £3,200 million.

Your principal responsibility will be to specify, provide and manage all the financial, unit trust and investment accounting functions and corporate tax requirements of The Equitable Life and its subsidiary companies. You will also play a key role in managing the development and implementation of new computerised accounting systems within the framework of the Society's systems strategy and *corporate plan.*

A qualified accountant and aged 35+, you will have the resilience, tenacity and management skills to make an impact throughout the company. You must have a broad-based financial background including proven computer systems experience. Life assurance or unit trust experience would be highly desirable.

We offer a range of benefits which includes non-contributory pension scheme, 28 days' holiday, generous staff house purchase scheme, free lunches, excellent working environment and relocation expenses where appropriate.

Please send a full CV with details of your career to date to: Richard Farmer, Staff Manager, The Equitable Life Assurance Society, Walton Street, Aylesbury, Bucks, HP21 7QW. Tel: (0296) 393100.

The Equitable Life
You gain because we're different

TAX MANAGER
£25,000
Central London

Partnership is envisaged for a strong career minded Tax Manager/Supervisor, experienced in all areas of Corporate and Personal Taxation. This is a high profile position within this firm of Chartered Accountants and as such offers excellent prospects for career progression. Candidates will be qualified ACA (ATII would also be advantageous). Please call David Pelen, Public Practice Manager on 01-734 4994, alternatively write to Phoenix Recruitment, Grafton House, 2/3 Golden Square, London W1.

Appointments Advertising

£43 per single column centimetre
Premium positions will be charged £52 per single column centimetre

For further information, call:
01-248 4782
Daniel Berry Ext. 3456
Tessa Taylor Ext. 3351

Fast moving advertising agency seeks deep-thinking strategist

Finance Director **Age 27-32**

- Package to £35k. (inc. car)
- Pension scheme
- Share options possible
- Acquisitions involvement
- Senior board member planning future development strategy
- International travel opportunities

Our client is one of the fastest growing advertising agencies in London and is committed to remain wholly independent. Turnover has trebled in the last year to £15m., a growth rate the Board fully intends to maintain.

The decision to appoint a Finance Director reflects the next stage of the Company's development. For the right person, it represents a rare opportunity to participate fully in the building of a major business, with promotion prospects to the Group Board.

You should be a high calibre qualified accountant with post-qualification experience, although not necessarily gained in the advertising world.

You should be strongly commercial in your outlook, computer literate, and committed to providing essential management information systems for effective business decision making. You must display a character that is both assertive and diplomatic.

Written applications, enclosing up-to-date C.V., should be submitted in strict confidence to Malcolm Edgell, BSc. FCA or Carol Saunders, BA at 410 Strand, London WC2R 0NS quoting reference 7827.

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS
DOUGLAS LLAMBIAS
LONDON LIVERPOOL MANCHESTER ABERDEEN EDINBURGH GLASGOW
DOUGLAS LLAMBIAS ASSOCIATES LIMITED, 410 STRAND, LONDON WC2R 0NS
TELEPHONE: 01-836 9501

The Search for Excellence

TWO EXCEPTIONAL OPPORTUNITIES FOR GRADUATE ACCOUNTANTS

Central London **To £24,000 + mortgage**

THE CLIENT is a household name financial services group with an asset base comfortably in excess of £20 billion. Its competitive edge, innovative approach and commitment to customer service are designed to maintain its leading position in a technologically advanced and fast moving economic sector. Diversification of its activities will substantially enhance its high standing and ensure further sustained growth.

THE POSTS require graduate accountants aged under 30 who combine impressive numeracy with analytical flair and sound interpersonal skills with strong potential for career advancement. Both positions are based within the Group's Management Information/Budgets area and both offer outstanding prospects.

Senior Management Accountant

A qualified Chartered Accountant, you will be responsible for the evaluation of substantial capital investment proposals, for identifying optimal investment strategies, for the preparation of reports for general management and the Board, for performance monitoring and for the investigation of new methods of evaluation. **Ref 4930.**

Senior Profit Analyst

A qualified Cost and Management Accountant, you will be responsible for the investigation/implementation of methods for the measurement of unit efficiency/profitability, for the optimal allocation of resources, for existing/new product costing/profitability studies and for the introduction/enhancement of related DP systems. **Ref 4935.**

THE REWARDS package fully reflects the importance of these posts and, in addition to the benefits specified above, will include an annual profit share, performance related pay rises, excellent pension scheme, BUPA, and, where appropriate, full relocation costs.

If you are interested in either of these exceptional career opportunities, please write briefly enclosing a CV or telephone for a personal history form to J. Constable, Director who has been retained by the company to produce a short list for each appointment.

RECRUITMENT SELECTION & ADVERTISING
EXECUTIVE CONNECTIONS
3rd Floor
43 Eagle Street London WC1R 4AP
Tel: 01-242 8103 or 549 5519 (out of hours)

CORPORATE FINANCE

Birmingham

County NatWest has four UK Regional Offices — Birmingham, Leeds, Manchester and Edinburgh — each of which has a high reputation for providing corporate finance, development and venture capital and lending services to the local business community.

In order to service existing clients and new business opportunities, we are seeking to appoint 1/2 Executives to handle corporate finance transactions. Candidates should be accountants or lawyers with up to 2 years' post qualification experience — preferably in the less routine aspects of the profession, eg investigations.

Comprehensive training will be given, which will involve up to 6 months' attachment to a corporate finance team in London.

Similar opportunities will be available in the Leeds and Manchester Offices in the near future.

If you have an excellent academic and professional record to date and wish to be considered for a career move into Corporate Finance please send a detailed c.v. to: Ian Carlton, Personnel Manager, County NatWest Limited, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2ES.

COUNTY NATWEST
The NatWest Investment Bank Group

Chief Executive

London **Total Package c£70,000**

Our Client is a major professional practice which has enjoyed substantial growth in recent years. To accommodate its continued planned expansion, the Firm, which places a premium on service, has identified the need to appoint a Chief Executive to play a crucial role within its management and professional structure.

As a key member of the Management Committee, the appointee will be responsible for all aspects of the Firm's support management, which is considered vital to the commercial development of the business.

Candidates will be senior professional managers with outstanding commercial experience. They are likely to be aged 35-45 and be able to demonstrate good communication skills, total commitment, the ability to command the confidence of partners and to lead a management team of diverse skills.

Interested candidates, who meet these demanding criteria, should send a detailed CV including current salary to Don Day FCA, quoting reference LM916, at Spicer and Pegler Associates, Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP.

Spicer and Pegler Associates
Executive Selection

ASSISTANT GENERAL MANAGER (FINANCE)

c. £20,000

The Scarborough is a strong, progressive and expanding regional Building Society with assets exceeding £160 million.

We are looking for an innovative and energetic Chartered Accountant to strengthen the General Management team. The role will involve the responsibility for treasury, financial and management accounting, as well as wider involvement in policy and future planning.

The salary package will reflect the responsibilities, and will include a motor car, non-contributory pension scheme, life assurance benefits, BUPA membership and concessionary mortgage. Relocation expenses will be paid where appropriate.

If you are interested in joining a young and exciting management team apply in writing, detailing your previous career, present occupation, responsibilities, salary and educational qualifications to: Peter Gargett, F.C.B.S.I., M.B.I.M., Chief Executive and Director, Scarborough Building Society, P.O. Box 6, Scarborough, YO12 6EQ. Applications should be marked 'Private and Confidential.'

The Scarborough
BUILDING SOCIETY
For generations, the best way to save

Financial Director

SOUTH COAST **£25-35,000 + Car + Share Options**

The Sunsail Group is Europe's leading specialist tour operator providing sailing holidays throughout the world. Following a period of rapid growth which has seen the Group expand to a current level of turnover in excess of £5m we now seek to appoint a Finance Director.

The successful candidate will manage a small team and be responsible for the Group's financial management, whilst also working with the Managing Director on the evaluation and implementation of plans for the Group's continued growth and development. These plans should lead to a USM flotation in 2-4 years' time.

Applicants, aged 28-35, should be qualified accountants with several years' experience gained in a commercial environment. Knowledge of the leisure industry would be an advantage.

To apply you should write enclosing personal and career details to the:

Managing Director
Sunsail Group of Companies
Northney Marina
Hayling Island, Hampshire PO11 0NH

Corporate Accountant

WHITBREAD EST^D 1742

£20,000 + car and benefits

Whitbread, a 46,000 employee, £1.5 billion turnover business is now strongly positioned in three principle activities – brewing and wholesaling, retailing and leisure, and wine and spirits. Although most of its revenue is earned in the UK, there are substantial and growing operations in North America and Europe.

An opportunity has now arisen within the Head Office Corporate Finance team for a two year post-qualified ACA primarily dealing with planning, operation and production of the Consolidated Group Statutory Accounts and Financial Analysis.

You will have strong technical skills, the personality to fit into a small friendly team atmosphere and be capable of independent thought to deal with projects as they arise. This is seen as a development role and ideal for a first move into commerce.

Please contact Huw Aubrey Tel: 01-242 6321, Personnel Resources Ltd., 75 Grays Inn Road, London WC1X 8US.

PERSONNEL • RESOURCES
The Obvious Choice

ACA: Two new members of a recently formed Projects team are required by prime American bank. The assignments are varied and the work stimulating. Prospects are excellent. Package c£20,000 p.a.

ACA: Corporate/Project Finance, European bank. Newly qualified, familiar with financial services and micro-computer modelling techniques. To provide research and technical support in the development of a corporate finance function. To £19,000 plus sub. mort.

Tel: Shelagh Arnell 01-583 1661
or send cv in confidence to:
asb Recruitment
30 Fleet Street, London EC4Y 1BE

هكذا من الأصل

Financial Controller

c.£20,000 (neg)

Our client, a successful group of engineering companies based in Southern England with global interests, is seeking an experienced Financial Controller to contribute to the continuing profitable growth of its major subsidiary. The position is likely to be of interest to an ambitious executive whose track record demonstrates Director potential.

Reporting to the Group Finance Director the main accountabilities are for statutory accounts; financial planning disciplines, financial administration, credit control and dealing with financial institutions.

Applications are invited from Chartered Accountants aged 30-40 years with industrial accountancy experience, preferably engineering, and recent experience of big 'eight audit' procedures.

In addition to a competitive salary and growth potential there are free medical insurance, pension scheme, relocation assistance where required and other benefits.

Confidential Reply Service: Please write with full CV quoting reference 2093/JW on your envelope, listing separately any companies to whom you do not wish your details to be sent. CV's will be forwarded directly to our client, who will conduct the interviews. Charles Barker Recruitment Limited, 30 Farringdon Street, London EC4A 4EA.

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APPOINTMENTS ADVERTISING

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Premium positions will be charged £52 per single column centimetre

For further information, call: 01-248 8000
Daniel Berry Ext 3456 Tessa Taylor Ext 3351

A RARE TALENT?

Midland Montagu is the investment banking and securities arm of the Midland Bank Group. As an integrated sector-wide operation it is responsible for the Group's wholesale banking operations, not only in London, but also in leading financial centres such as New York and Tokyo.

Rapid development of new products, services and systems within our investment banking business pose exciting and varied challenges for our financial managers. To meet such a need, and as a result of promotions, our finance function – very much at the heart of these operations – is now keen to build upon its existing highly professional team by recruiting a 'cadre' of top calibre financial expertise.

What do we mean by a rare talent?

We mean that special ability to apply your professional training and expertise – in a uniquely creative and commercial manner – to a diverse range of financial work. Mature and flexible in approach, you must also have the potential to develop a "fast-track" career – be it in financial management or mainstream investment banking.

A qualified accountant – with an excellent academic record – you should either be professionally trained in a large worldwide practice or have sound relevant commercial experience with an international blue-chip organisation. Previous experience of investment banking or Corporate Treasury activities would be useful. Career development prospects are, as you might expect, excellent.

Salaries, probably within a range £20-24,000, will not be a limiting factor in attracting the right candidates. Excellent benefits include mortgage subsidy, non-contributory pension scheme and family medical care.

Please apply in writing with full CV, to: Carolyn J. Bland, Manager, Personnel Operations, Midland Montagu, 10 Lower Thames Street, London EC3R 6AE. Tel: 01-260 9800.

MIDLAND MONTAGU

Midland Montagu

Exceptional Career Opportunities
YOUNG FINANCIAL MANAGERS

Thames Valley £20,000 — £30,000 + benefits

Mars Confectionery is a leading FMCG company with a consistent record of success in one of the UK's most competitive market sectors. Effective financial management and controls play a key part in maintaining our impressive level of profitable growth.

Now, no less than three internal promotions have created opportunities for ambitious, recently qualified accountants with clear management potential to join our young, highly professional finance team.

Initially, you would be responsible for a department involved in either commodity or financial accounting. But whatever your specific responsibilities, you can confidently anticipate in-depth involvement in all areas of our fast-moving business — which means **the opportunity to contribute to key decision-making and influence financial performance from day one.**

We are looking for people who possess, in addition to the expected first-class professional skills, the ability and drive to expand the scope of their roles and actively contribute to all areas of the business. This should therefore appeal to young graduate accountants who have already demonstrated above-average potential, and who are now looking to broaden their experience in a stimulating commercial environment.

First-year salaries within the range indicated will be backed by performance and business bonuses plus a comprehensive non-contributory benefits package including relocation assistance if appropriate. Success will result in excellent prospects for further career advancement — by no means restricted to financial management — within Mars Confectionery or other Group companies in the UK or overseas.

To find out more and to obtain an application form, please ring 01-235 3627 (our 24-hour recorded answering service).

We are an equal opportunity employer.

Mars®

Financial Controller

Newport, Gwent to £30K + car

Operating in a truly international business, INMOS is a world leader in the microelectronics industry. With state-of-the-art products and innovative designs, worldwide revenues are projected to exceed $100m this year, with significant growth in the future.

We now seek a Financial Controller to assume overall responsibility for the finance function of the UK operations which include the group's principal manufacturing operations, Microcomputer Design Centre and European and Japanese sales offices.

In addition to maintaining all financial records, you will be responsible for providing all the financial information required to manage the business in a dynamic and highly competitive environment.

You must be a qualified accountant (ACA or ACMA) with good post qualification experience in industry, preferably in a fast-moving manufacturing environment.

Salary is negotiable within the region of £25K to £30K and is supported by a generous range of benefits including relocation.

If you believe you have the right degree of commitment and flexibility to thrive in this constantly developing market, please send your full cv to: Jacqui Porter, Personnel Manager, INMOS Limited, 1000 Aztec West, Almondsbury, Bristol BS12 4SQ. Tel: (0454) 616616.

inmos
The leading edge.

FINANCE MANAGER
(Director Designate)

LETCHWORTH, HERTS £ neg + car + benefits

Access Electronic Components Limited and its associated companies form a rapidly expanding division of the successful Diploma group. From a standing start in 1980 Access has grown to be one of the major franchised electronic component distributors in the country, with sales currently running at £18m p.a.

Reporting to the Managing Director, the Finance Manager will assume responsibility for all aspects of the financial, and computer systems development functions of the division. The successful applicant will also be expected to contribute to strategic business planning and the general commercial management of the business.

Candidates should preferably be qualified accountants, in the age range 27-35 with some years relevant managerial experience, and possessing the strength of character and ability to become a key member of a dynamic management team.

Career prospects are excellent and the rewards include a negotiable salary in line with experience, together with substantial benefits.

Apply confidentially in writing enclosing c.v. and details of current remuneration package to:

Mike Mason, The Access Group,
Jubilee House, Jubilee Road, Letchworth, Herts SG6 1QH

FINANCIAL DIRECTOR

Bromley, Kent

Age: 28-40 c£35,000 + car

Blenbury plc is a rapidly expanding Housebuilder specialising in the retirement market, which is on target for USM flotation before the end of 1987.

Reporting to the Managing Director, the Financial Director will be responsible for negotiations with banks and financial institutions; cash flow; provision of management information; running the accounts department; administration and secretarial matters. It is the intention that the right person will move into the Managing Director's position at the earliest opportunity.

Candidates must be chartered accountants in the age range 28-40 and preferably have experience in Housebuilding/Property related businesses. This could have been obtained either in a housebuilding/property development company, a financial institution, or the accounting profession. The salary is negotiable c£35,000 plus car and there are attractive benefits, including an extremely valuable equity participation package.

Please send a comprehensive career résumé, including salary history and day-time telephone number, quoting ref: 2812 to W.L. Tait, Executive Selection Division.

Touche Ross
The Business Partners
Thavies Inn House, 3/4 Holborn Circus, London EC1N 2HB.
Telephone: 01 353 7361

CHIEF FINANCIAL OFFICER

City to £45,000 + car + substantial benefits

Our client is the City headquarters of a growing international group with activities concentrating in mining, financial services, property, shipping and leisure.

Owing to future anticipated growth, the company has decided to recruit a Chief Financial Officer. Working closely with the directors of the business, responsibilities will include developing and managing the finance function with emphasis placed on tax planning and corporate strategy.

Activities are worldwide and the person will need to liaise with all group companies which will involve working within a demanding and dynamic environment.

Applicants must be qualified accountants or MBAs who can demonstrate continual progress in their career to date. Experience will have been gained in a fast moving business environment and it is essential that candidates can demonstrate good commercial awareness.

In addition to the salary, the appointee will receive substantial fringe benefits and will join an organisation where career opportunities are considerable.

Please send brief career and personal details to Carrie Andrews quoting reference F/387/A, at the address below:

E&W Ernst & Whinney
Executive Recruitment Services
Becket House, 1 Lambeth Palace Road, London SE1 7EU.

EDITOR
Accounting Publications

Lafferty Publications is looking for a senior specialist in accounting information to provide editorial direction and management for its group of accounting publications — The Accountant, International Accounting Bulletin and Bank Accounting Report.

Preferably a qualified accountant, the editor will be responsible for ensuring editorial quality, motivating the editorial team and devising and introducing new products.

This is a high-profile, stimulating position with a group which aims to be a leader in excellence in accounting information.

Salary is negotiable and will not be a barrier to the right applicant; a highly attractive package, including profit sharing, is available.

Peter Sabine — Publisher
LAFFERTY PUBLICATIONS LIMITED
2 Pear Tree Court, London EC1R 0DS
01-251 5545

c.£45,000 p.a. + bonus
Finance and Administration Director
W. Home Counties
ENERGY

A Chartered Accountant, male or female, aged 40-50, with at least twelve years progressive line experience, in industry, upto Finance Director level, in companies with a turnover of not less than £350 million p.a. Involvement in company taxation and sound computer experience are essential. Experience of treasury matters and exposure to the "City" desirable but not essential. Must be of the calibre to be appointed the Group PLC Finance Director, on the present incumbent's impending retirement. An outstanding career opportunity with Britain's market leader in its field. Excellent fringe benefits include stock option, bonus, non-contributory pension, company car, medical/life cover and relocation expenses.

Suitably qualified candidates please phone 01-600 4708 for an application form quoting GF715 (24 hour service).

GREYFRIARS
EXECUTIVE RECRUITMENT
JOHN W G FORBES MANAGING DIRECTOR
104 NEWGATE STREET, LONDON EC1

FINANCIAL CONTROLLER
DIRECTOR DESIGNATE
circa £20,000 + benfits

We are a rapidly expanding young Company in the office furniture industry. We have our sights firmly fixed on a market flotation within the next five years and we are seeking a young, enthusiastic, hi-tech orientated financial controller with either chartered or certified accountancy qualifications to guide us to our goals in a controlled and business-like fashion.

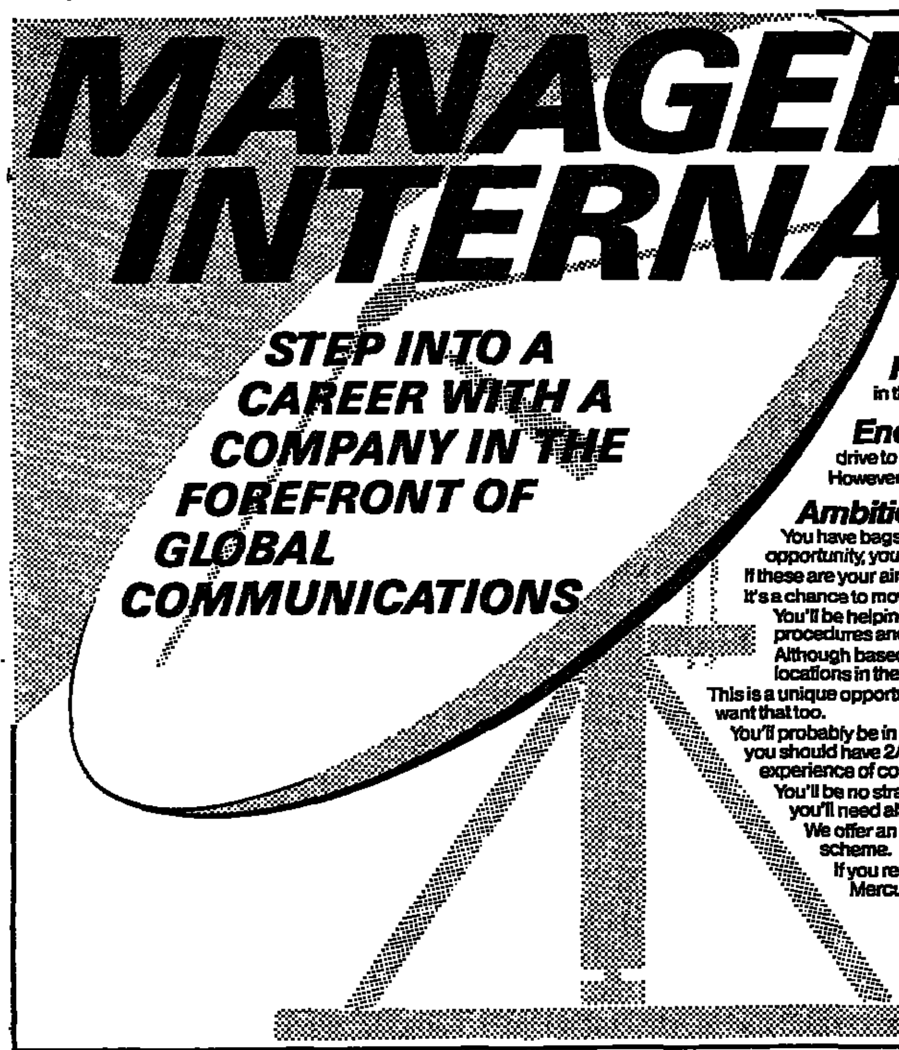
The successful applicant will be between 26-36 years of age, have a strong business flair and be adept in devising workable analytical systems and have the strong desire to become totally involved in our business.

Apply in writing with full c.v. to:

Retained Recruitment Consultant
Matthew Jackson
Qubix Limited, 9 Whitefriars Estate,
Tudor Road, Harrow HA3 5TD

Qubix Limited
Office Systems Furniture

MANAGER-INTERNAL AUDIT



HOW MUCH OF YOURSELF DO YOU RECOGNISE?

Forward-looking You are one of those exceptional, forward-looking professionals who needs to see a career developing, in the longer term, as well as in your current role.

Energy and drive – but . . . At the moment, you are faced with middleweight opportunities, but have enough energy and drive to propel yourself into a heavyweight role.
However, you can't see how you can achieve this within your present organisation.

Ambitious for management.
You have bags of ambition, and are hungry for progression. You want very much ultimately to get into mainstream line management; given the opportunity, *you could do it.*

If these are your aims, here is an opportunity tailor-made for you, with one of Britain's largest and most successful international organisations.

It's a chance to move into the rapidly-expanding communications business, and get involved in Cable and Wireless operations world wide.

You'll be helping to manage an audit department *specially created to make a positive contribution to the effectiveness and efficiency of operational* procedures and controls and the profitability of our operating divisions.

Although based in London, the opportunities for overseas travel are considerable. Up to 50% of your time will be spent at Cable and Wireless locations in the Caribbean, USA, Middle East and Indian Ocean.

This is a unique opportunity both to enhance your career and expand your personal experiences to long term effect. If you are the person we want, you will want that too.

You'll probably be in your early thirties, *with a good degree and relevant accounting qualification* gained within one of the big eight audit firms. Additionally you should have 2/3 years in internal audit, at management level, with an international industrial or commercial organisation which will have included experience of computer-based accounting systems.

You'll be no stranger to mature, structured yet innovative thinking; and be a skilled, persuasive communicator. For the career you'll be stepping into, you'll need all that.

We offer an individually tailored and competitive salary package, with attractive benefits including a Company car, pension and private medical scheme.

If you recognise yourself here then we want to hear from you. Please send your CV to: The Recruitment Manager, Cable and Wireless plc, Mercury House, Theobalds Road, London WC1X 8RX. Tel: 01-405 4980 (24 hrs). Quoting ref: R532/FT.

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Helps the world communicate

Accountancy Personnel
Placing Accountants First

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GROUP AUDIT CONTROLLER • LEISURE PLC •

Central London **£20,000 (Neg) + Prestige Car**

Leisure is the growing industry in Britain today and First Leisure are at the forefront of this market with an impressive portfolio of activities including the premier chain of discotheques; resort facilities (including the Blackpool Piers, Tower and Winter Gardens), a marina, theatres, snooker, squash, ten-pin bowls and restuarants/taverns.

Sustained profitable growth now necessitates the recruitment of a commercially astute auditor who will report directly to the Board and undertake a challenging role encompassing systems development, internal audit, liaison with external auditors, ad hoc projects and overall management of the audit team. This is therefore a high profile role offering real long term prospects for the ambitious candidate.

Candidates, who will ideally be in their 30's, need not be qualified but will demonstrate a pro-active and analytical mind coupled with an awareness gained by at least 3 years commercial audit experience. Previous exposure to related service industries is essential.

For further details, please contact:
Kim Poole,
Accountancy Personnel,
307/308 High Holborn,
London WC1V 7LR.
Telephone: 01-404 4561

DEPUTY CONTROLLER • INTERNATIONAL BANKING •

City **£25-33,000 – Banking Benefits**

This is an exceptional opportunity for a graduate Chartered Accountant (late 20's – mid 30's) to step away from mainstream accounting and towards operational management in International Banking.

Supporting the Operational Controller, the function is largely non-routine and has been established to provide more efficient control by identifying the risk elements inherent in all of the Banks transactions and procedures.

Candidates must have had previous exposure to Banking, either through audit or direct appointment.

For further details, please contact:
Martin Humberstone,
Accountancy Personnel,
63/65 Moorgate,
London EC2R 6BH.
Telephone: 01-638 8091

PIRELLI

DIVISIONAL FINANCE MANAGER

Burton-on-Trent **£ Attractive Package**

Our client is the footwear manufacturing division of Pirelli Ltd, part of a successful international group. This forward-thinking organisation now has an opening for a dynamic qualified accountant, preferably A.C.A. who possesses first-class technical and communication skills.

The position, reporting to the General Manager, offers responsibility for *controlling the division's total accounting including monthly* management accounts, budgets and business plans, as well as ad-hoc projects and the development of financial systems.

The company offers an attractive remuneration and benefits package including relocation assistance where necessary.

For further details, please contact:
Accountancy Personnel,
Sovereign House,
Princess Road West,
Leicester LE1 6TR.
Telephone: 0533 542693

SAVAGE

FINANCIAL DIRECTOR

Wiltshire **To £20,000 + Car**

The Savage Group is a small but highly successful and expanding organisation based in the beautiful Wiltshire town of Devizes.

Involved primarily in the manufacture of electrical transformers, the Group now seeks a Qualified Accountant to report directly to the MD/Chairman. Scope for responsibility will include all accounting procedures for two subsidiary companies, company secretarial duties and the maintenance and improvement of the group's computerised systems.

Salary package is fully negotiable and includes a company car, pension scheme and BUPA.

For further details, please contact:
Accountancy Personnel,
2nd Floor,
Bristol & West House,
10 Regent Circus,
Swindon SN1 1PP
Telephone: 0793 612211

TOMORROW'S DIRECTORS

2 ACA's AGED 23-28 **NEG TO £23,000+CAR**

Our client, a major SOUTH HERTS baseed BRITISH CO with sales of £1,200m+ is the UK leader in its main sphere of operations, and has significant turnover in the USA and EUROPE.

A recent acquisition allied to swift ongoing organic growth prompts the requirement for TWO OUTSTANDING YOUNG ACA's with high interpersonal skills and a glowing track record to date.

The successful candidates will initially join a central dynamic team from which one of the company's present directors emerged.

You are likely to be a graduate trained with one of the UK TOP TEN PROFESSIONAL FIRMS who feels relaxed and generates confidence amongst peers, subordinates and senior executives up to board level.

ACCOUNTANCY APPOINTMENTS EUROPE
1-3 Mortimer Street, London W1
Tel: 01-580 7739/7695 (direct)
or 01-637 5277 ext 281/282

Accountancy Appointments Europe

Systems development in finance

As a result of internal promotion, a vacancy exists for a person with proven project management skills.

This is a senior role in a dynamic management accounting department. It requires an individual who can build a structure of co-ordinated financial systems across the airline providing relevant information to management. In addition, the role requires the ability to design and produce reports for top management to tight deadlines and to very high standards.

The role is an ideal way to see the working of a major international company from the centre, with the opportunity to move into line management at a later date.

The ideal candidate probably under 35, will be a professionally qualified accountant with extensive up to date knowledge of computer systems and their potential in accounting applications. Ability to initiate and produce high quality work within demanding deadlines as well as excellent interpersonal skills are additional qualities which are essential to the success of this position.

This is a high profile role which attracts a competitive salary plus airline benefits, which include profit sharing, holiday bonus, and favourable holiday travel opportunities.

Please write with a full c.v. to Recruitment and Selection, Ref. JS-MA/238, British Airways Plc., "Meadowbank", P.O. Box 59, Hounslow TW5 9QX.

Closing date for received applications 7th August, 1987.

BRITISH AIRWAYS
The world's favourite airline.

Ben Johnson

Ben Johnson is a leading name in the print and communications industry and is well known as the manufacturer of telephone directories, software manuals and various quality colour magazines and catalogues. The company, which is a major subsidiary of R R Donnelley & Sons Co of the USA, has expanded organically and through acquisition. It has invested in the most sophisticated print equipment and has a group sales turnover of £85m.

DIVISIONAL FINANCIAL CONTROLLER
Print Industry

York **Attractive salary + car + benefits**

The need is for a controller of the largest division based in York (turnover £48m). *The candidate will hold a senior position* within the division's executive team and will be expected to make a major contribution to the division's performance.

Responsibilities will be wide ranging and will include the following:

- Administration of the accounting function for the York division with responsibility for budgets, forecasts and expansion plans.
- Maintenance of the pricing function with involvement in pricing decisions for the division.
- Advising the Division Director in all *accounting and commercial matters.*

You will be a qualified accountant, aged 30 to 45, ideally with a background in the printing industry. Personal attributes will include strong leadership qualities and technical ability, a practical approach and the capacity to work well under pressure.

An attractive salary package is offered, together with a quality company car and private medical insurance etc. Relocation expenses are available where appropriate.

forsythe & kayee

FORSYTHE & KAYEE LTD.
ACCOUNTANCY APPOINTMENTS
13/14 Park Place, Leeds LS1 2SJ
Telephone: (0532) 450851

COST AND MANAGEMENT ACCOUNTANTS
THE AEROSPACE INDUSTRY

Our client is an international public quoted company. Based near London it manufactures, sells and operates airships worldwide. It recently won a US$170 million contract to develop a new application of its system for the US government. We wish to recruit urgently two experienced and competent qualified Accountants—probably ACMA's—as follows:

COST AND MANAGEMENT ACCOUNTANT

Age: 30-35 **c. £27,500**

This person will have overall responsibility for the timely reporting and monitoring of all manufacturing, assembly and projects undertaken in the general course of business by the company. This will or may involve project cost control, manufacturing overhead cost control, inventory management and operating overhead control. This is a new and key *position in the* Company's financial management structure. The successful candidate will probably have worked within a project engineering or a manufacturing environment or at least in a role where he or she has monitored and controlled value added costs arising within an industrial environment.

PROJECT ACCOUNTANT

Age: 25-30 **c. £25,000**

The successful applicant will be responsible for cost management of the Group's involvement in the US contract. He or she will run the management accounting function and will monitor expenditures in line with established parameters. We seek an outstanding person with the background and experience to manage this role. Candidates (male or female) must demonstrate that they have experience of large project financial control—*possibly gained within an R & D environ*ment or at a senior level in an engineering oriented project.

Candidates who wish to be considered for either of these challenging positions should write, enclosing a detailed CV, to The Senior Partner at:

THE IVY LEAGUE CONSULTING GROUP
P.O. Box 362
Reading RG1 1NA

Please indicate which of the above positions is of interest.
Applications will be treated in the strictest confidence.

Porton International PLC

CHIEF ACCOUNTANT

Age: 25-35 **c. £27,500 + benefits**

Porton International PLC is a leading international group in the field of biotechnology. An exciting and challenging opportunity for a chartered accountant has occurred as a result of the rapid growth of the group. Very substantial future expansion is envisaged and the successful applicant will have a wide range of responsibilities including staff management and systems development. Career prospects are excellent.

Candidates should have management experience, strong financial skills and the ambition and commitment to succeed. Location: Stoke Poges, near Slough, Bucks.

Please write in confidence, enclosing a summary of your qualifications, experience, current remuneration and daytime telephone number to:

Group Financial Controller
PORTON INTERNATIONAL PLC
100 Piccadilly, London, W1V 9FN

FINANCE DIRECTOR
DESIGNATE

COMMUNICATIONS GROUP
POTENTIAL USM COMPANY

South East Essex **Salary Package Negotiable**

Our client is a specialist high technology printing group who have achieved rapid yet highly profitable growth and are committed to an expansionalist policy leading to the USM. The pace of recent development has created the opportunity for a senior qualified *accountant to join the highly* motivated management team as Finance Director Designate to strengthen the group's financial expertise. Initial responsibilities will include the development of sophisticated management information systems to enable the group to maintain its rapid growth record.

This is a new appointment requiring an assertive, positive and energetic approach combined with interpersonal and communicative skills. You will be expected to make a real contribution to the strategic development of the group as well as assuming respon*sibility for all financial matters affecting group activity.*

Salary and benefits will be by negotiation, but the package will be substantial and in line with the responsibilities and development potential of the position.

If you believe you have the abilities and experience to meet this challenging position please write in confidence with full career details including salary, to:

Berke Fine
Apsley House
Waterloo Lane
Chelmsford CM1 1BD

BERKE FINE

SENIOR EXECUTIVE — ACQUISITIONS

BBA Group wishes to re-strengthen its small *Headquarters' team by recruiting an analytical* and creative executive. The Group is dedicated to growth through organic development and further acquisitions.

The successful candidate, in his/her early forties, is likely to have a financial or legal background.

Demonstration of executive capability will lead to wider responsibilities in corporate affairs.

Salary will be dependent on the candidate's background and experience, and excellent fringe benefits are provided, including a non-contributory pension scheme and a company car.

Applications, with current *CV*, to:
Mr. F. Howard, Group Personnel Manager, BBA Group PLC, PO Box 20, Whitechapel Road, Cleckheaton, West Yorkshire BD19 6HP.

BBA GROUP PLC

The British-based International Company with interests in Automotive and General Engineering, Conveyor Belting and Industrial Textiles.

Major opportunity for a management accountant with broad business horizons: secure your future with a Fortune 500 corporation as:

European Internal Auditor

to c£23,000 + car UK-based

Reporting to the European Audit Manager (whose office is in Holland) your role will be to guide and assist your colleagues in business, financial, manufacturing, marketing and sales management throughout Europe to achieve efficiencies and long-term business success through the maintenance of a corporate culture which is dedicated to growing the bottom line:

– participating in the planning of the European audit strategy.

– performing operational (c 70% of time) and financial (c 30%) audits

– identifying and reporting on opportunities to leverage profitability/meet perceived threats to operating effectiveness.

Probably 28-plus; ICMA or perhaps ACCA or equivalent and maybe with a business studies qualification; 5-10 years' experience – mostly or wholly gained in leading-edge manufacturing companies; with a domestic base which enables you to travel extensively in the UK and elsewhere in Europe – you'll relish new challenges and thrive in this high profile role. Write now with succinct/ *relevant career summary* and salary statement, or telephone Roger Stephens/Ann Judge for a brief initial discussion. Ref. 8736.

Roger Stephens & Associates

Management · Search · Selection
Chequers House, 1-3 Park Street, Old Hatfield, Herts AL9 5AT. Telephone: 07072 75361/2.

Company Secretary

(designate)

Insurance Company: W.C.2.

c£17,000/Car/Assisted Mortgage

An old established specialist Insurance Company is looking for a qualified Accountant or ACIS to work with the existing Company Secretary with the aim of succeeding him.

Experience of financial accounting is essential—preferably in an Insurance context. Some familiarity with D.P. is also desirable.

Interviews will be arranged in Central London but letters of application, quoting Ref No 661, should be sent to David Whately, Boonshill Farm, Iden, Rye, East Sussex TN31 7QA.

WHATELY PETRE LIMITED, Executive Selection

Group Personal Tax Adviser

GIBRALTAR

Outstanding opportunity to work in an exciting growth-orientated business environment—and live in the delightful countryside of Andalusia.

This British-managed group provides a comprehensive range of financial services to companies and individuals with interests in the area. Due to significant growth over the last year the Company is responding to demands on its *professional services of* which personal tax advice is playing an increasingly important role.

The group wishes to recruit a senior, experienced Personal Tax Adviser who has had hands-on experience in a major financial institution, a public accountancy practice or a financial services organisation on the tax planning side. The Adviser will have a thorough understanding of the UK tax system, especially the treatment of non-resident but still UK domiciled individuals. This should cover both a knowledge of the law and practical aspects of dealing with the Revenue. Other key elements of the role will be to:

— Liaise with the company's Spanish compliance offices;
— Develop a working knowledge of the Spanish tax system;
— Develop and maintain contact with associate tax advisers in other countries for specialist local advice to non-British expatriates;
— Advise the Board on the timing of establishment of local compliance offices in other European countries;
— Keep abreast of developments in personal tax systems throughout the world and alert the board team to all new tax-orientated marketing opportunities.

The successful candidate will be qualified ACA or ATII, or possibly a Barrister from tax chambers, aged between 30 and 35. The remuneration package will be attractive and reflect the importance of the position. Some fluency, preferably in Spanish or one other European language, would be an advantage.

Please send a detailed c.v. or telephone in confidence to:

Roger Meldrum
JSP SELECTION CONSULTANTS
10 Haymarket, London SW1Y 4BP
Telephone: 01-930 3901

FRIZZELL

MORE RESPONSIBILITY FOR YOU MEANS MORE INTERNATIONAL SUCCESS FOR FRIZZELL

What is it that's taken a company like Frizzell to such a leading position in the country's financial services sector, and allowed the recent rapid growth of our International Division? Innovation, certainly. Determination, definitely. But just as important is our commitment to giving our personnel a high level of responsibility, enabling them to constantly stretch their potential, and work to the very fullest of their abilities.

Naturally, it's the sort of working environment that demands a great deal of flair, drive and initiative, and to join us you'll need to work well under pressure, and to *be good at motivating others. The rewards, though, are extensive, and we are now* looking for two assertive individuals to take major steps in their careers with our International Division.

MANAGEMENT ACCOUNTANT

Overseeing the Management Accounts function of the International Division, you'd be heading up a team of 7, producing monthly management accounts and group results assessments, quarterly accounts, annual statutory accounts, and corporation, income and VAT tax returns. The role would also actively involve you *in developing accounting systems and procedures to maximise the quality of management information.* The skill to train and motivate your team of staff will be important, as will the ability to develop good relations with senior management of other Frizzell companies.

Aged 25-28, you'll need to be a qualified accountant with a good standard of education. Experience of statutory accounts preparation, taxation and the auditing of limited companies will be vital, and the successful candidate will probably already be working for a professional team of accountants.

BROKING ACCOUNTANT

Managing the Insurance Broking Accounts function of the Division you'd be responsible for the accounts of clients and underwriters, ensuring effective reconciliation, rendering and service. Heading up a team of 17, you'll need the skill to train and motivate staff, as well as develop good professional relations with the senior management of other Frizzell companies.

Aged 25-35, you should be well educated, ideally up to degree level. An accountancy qualification would be an advantage, but is not essential. What will be vital is extensive technical insurance experience, and you'll need to have controlled an Accounting Service in an Insurance Broking environment.

With offices in Poole as well as London, frequent travel will be involved.
For both posts, computer experience would be helpful.
The rewards for meeting the challenge of these posts will be generous, and as well as excellent career prospects, you'd receive £17,500 – £20,000 pa plus a company car.
For more information about either of these posts, please write to:
Sylvia McGeachie, Group Personnel Manager, The Frizzell Group Limited, Frizzell House, 14/22 Elder Street, London E1 6DF.

FINANCE DIRECTOR DESIGNATE

ADVERTISING AGENCY AND MARKETING ADVISORS

Central London c.£30,000 plus car

Our client is a subsidiary of an ambitious and progressive advertising and public relations group.

Apart from being involved in the actual development of the business, this post requires a practical commonsense person to manage the accounting function. In particular, there is a need to become involved in the detail of monthly financial reporting, budgets, client contracts and all related matters.

Applicants must be qualified accountants, probably aged in their early thirties, with some service industry experience. Knowledge of the advertising and marketing business is not specially sought. Experience of computerised accounting systems is required.

The successful applicant will be a good communicator with a lively mind and approach and have a positive attitude to and aptitude for aspects of business management outside the strict confines of the accounting functions.

It is expected that the finance director designate will be appointed to the board after about six months. Opportunities for advancement within the group should occur after a few years.

Please send brief career and personal details, quoting reference F/507/A, to Carrie Andrews.

Ernst & Whinney
Executive Recruitment Services
Becket House, 1 Lambeth Palace Road, London SE1 7EU.

Company Secretary

South of England c.£25,000 + Car

Our client is a well known, successful and long established company, *engaged in shipping with subsidiaries in transport, warehousing* and engineering. Turnover is around £10 m per annum.

They seek to appoint a successor to the Group Secretary who retires at the end of the year. This is an important appointment which brings good prospects of early promotion to a senior executive role.

The successful candidate will have had several years experience as Secretary or Assistant Secretary in a commercial organisation, preferably a medium sized listed company. The important personal attributes are maturity of judgement and the ability to work in a team at senior executive level.

A competitive salary and benefits package will be available, together with relocation assistance to this attractive area in the South of England.

Please write to John Eskdale, quoting reference B53063.
MSL Chartered Secretary, 50 Queen Square, Bristol BS1 4LW.

MSL Chartered Secretary

APPOINTMENTS ADVERTISING

£43 per single column centimetre
Premium positions will be charged £52 per single column centimetre
For further information call:
01-248 4782 Daniel Berry Ext 3456 Tessa Taylor Ext 3351

BARFIELD BANK & TRUST

Shareholders Baring Brothers & Co. Limited, The Bank of N. T. Butterfield & Son Limited

Trust Manager/ Chief Executive

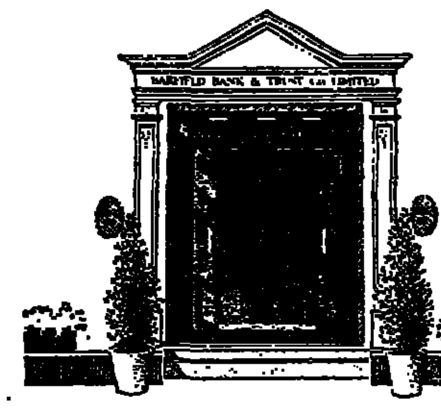
Isle of Man

Barfield Bank & Trust Co. Limited is opening a Subsidiary Trust Company in the Isle of Man, and wishes to recruit a Trust Manager who will also be the Chief Executive.

The appointment calls for a relevant professional qualification and considerable practical experience in international trust, pension fund, corporate secretarial and related investment management activities. This is an opportunity for a self-motivated individual looking for considerable job satisfaction in a progressive situation.

The successful candidate will be a mature individual with a proven record of achievement, and will be currently earning in excess of £20,000.

Barfield, which is jointly owned by Barings and the Bank of N. T. Butterfield, is a rapidly expanding company providing banking and other financial services, trust and investment management, and corporate and related management services.



The salary is negotiable, and the appointment will carry a company car in addition to the usual banking benefits.

Applications, which will be treated in strictest confidence, should be in writing and include a full curriculum vitae. Please write to:

J.G.J. Evett
Managing Director
Barfield Bank & Trust Co. Limited,
P.O. Box 71,
Barfield House,
St. Julian's Avenue,
St. Peter Port,
Guernsey, C.I.

DIRECTOR OF FINANCE

North Humberside c.£25,000 + profit share + car

Our client is an expanding and successful private company specialising in industrial distribution through a chain of branches throughout the UK. Annual turnover is approaching £50 million.

Growth has demanded the realignment of various management positions resulting in this vacancy. Reporting to the main board, the director of finance will have overall responsibility for all accounting, computer and financial matters relating to the company and its subsidiaries.

Applicants should be chartered accountants, aged between 30-45, with the proven ability to make a significant contribution to the success of the company through the effective management of the financial function and through contributing to the general management of the group.

Preferred experience will be in an industrial trading operation utilising sophisticated information systems. Essential requirements are the ability to interpret and disseminate management information and to communicate with the main board, fellow divisional directors and other managers. Benefits will include a fully expensed executive car, attractive pension arrangements and participation in a profit sharing scheme.

In the first instance, please send brief personal and career details, quoting reference F277/M, to Douglas G Mizon at the address below. Local applicants will be interviewed in one of our Yorkshire offices.

Ernst & Whinney
Executive Recruitment Services
Becket House, 1 Lambeth Palace Road, London SE1 7EU.

FINANCIAL CONTROLLER

c.£30,000 + BONUS & CAR

IMMEDIATE AND STRATEGIC CHALLENGE IN A BLUE-CHIP MULTI-NATIONAL

MAIDENHEAD

At Mars Group Services, Information is our business. We provide specialist Information Technology and Business Consultancy services to sister companies and external clients.

An internal career development move has created the need for a young, ambitious accountant to assume the influential role of Financial Controller.

The Financial Controller has a direct and important influence on the business with responsibility for financial planning and forecasting, the timely provision of management information, corporate reporting and taxation. A substantial proportion of your time will be devoted to financial modelling, product profitability analysis and evaluation of capital investments. You will operate in a sophisticated environment with access to some of the most advanced systems, and with a young high calibre team.

The role offers unusually high visibility among senior management in a dynamic, successful business. It is an exceptional opportunity for an ambitious, young, graduate-qualified accountant with at least 2-3 years' post qualification experience preferably gained within a major professional practice or multi-national blue-chip environment.

The package includes £30,000 + bonus and company car, and a range of non-contributory benefits.

Please apply in writing with a comprehensive cv to: **Chris Bulmer, Mars Group Services, Shoppenhangers House, Shoppenhangers Road, Maidenhead, Berks. SL6 2PX.**

MARS GROUP SERVICES

Gatwick

MANAGEMENT ACCOUNTANT

An important business role in an exciting industry

c£22,000 p.a. + car

Gatwick is already the world's third *busiest international airport, and to meet* increased demand, we are opening a new North Terminal early next year.

Gatwick Airport Limited is a member of the BAA plc group of companies which has just been offered for sale to the public. To reflect this transition and the new business opportunities ahead, we have created the important role of Management Accountant.

Within the Finance team, you will be responsible for management information, business planning and co-ordinating the annual budgets. This will include developing information systems, undertaking investment appraisals and charging studies and the preparation of the company's annual accounts.

You must be a qualified Accountant with the proven ability to solve problems and make decisions in a creative and challenging environment. Excellent communications sl·ills are essential as you will have a key role in *influencing business decisions.* You *must also be capable of managing* and motivating a small group of people to work successfully as part of the Finance team.

Salary will be negotiable in the region of £22,000 p.a. plus car and a full range of benefits. Future career prospects within the group are excellent.

If you are ready to make an important contribution at an exciting time of growth and change, please telephone 0293 503134 for an application form and further written information.

FINANCE DIRECTOR Designate

Cheltenham c£25-30,000 + Car

Our client is a highly successful privately owned group of companies operating in the west country in residential house building and property development. Turnover exceeds £15 million and there are plans to expand substantially through the growth of the core businesses.

The company now wishes to appoint a finance director who as a member of the management team will assume responsibility for all aspects of financial policy, business planning, accounting and treasury as well as actively participating in *strategic policy decisions.*

The ideal candidate (aged 35+) will be a qualified accountant with in-depth experience of computer-based financial management systems gained at chief accountant/controller level or above in a volume house builder or related *industry.*

This very important position requires a strong but pleasant personality, a high level of initiative and an ability to relate easily to personnel at all levels.

Please write in confidence (quoting ref F7130) to
Edward Ross McNairn, Clark Whitehill Consultants
25 New St Square, London EC4A 3LN

Clark Whitehill Consultants

Executive Selection

Finance Director Designate

Cambridge **circa £25,000**

Age 28-35 **share option and car**

Elmjet Limited was formed a year ago, with substantial financial and corporate backing, to exploit the latest advances in ink jet printing in the packaging, floor and wallcoverings markets. It now seeks to enlarge its management team to take the business through a significant growth phase over the next few years to subsequent planned flotation. It is an exciting opportunity for someone who seeks to work with an enthusiastic and able team, and who would like a stake in the future success of his company.

A qualified accountant, you will have experience of commercial operations in a manufacturing environment and the ability to take responsibility for the administration and financial planning and management of the company. You will be required to liaise with the technical team and work closely with the board and the company's venture and corporate shareholders.

Please write enclosing a full CV or telephone the Managing Director, Geoff Broad.

Elmjet Limited
Viking House
10 Viking Way, Bar Hill
Cambridge CB3 8EL
Tel: 0954 82848

ELMJET

Bredero Properties Plc

Group Chief Accountant

Epsom, Surrey

Bredero Properties is one of the leading retail based property development groups in the United Kingdom. Since being listed on the Stock Exchange the Group has experienced substantial growth in its business activities and is now poised for further expansion.

Following an internal promotion a vacancy now exists for a Group Chief Accountant who will be responsible for the overall financial management of the Group reporting to the Financial Director.

Candidates for this position are likely to be over 30, qualified, with broad financial experience preferably in the property sector. The ability to communicate effectively at all *levels and manage a small but highly motivated team are considered essential*, as is also a working knowledge of computer applications.

An attractive remuneration package; including relocation expenses where appropriate, will be offered to the right candidate.

Applications should be accompanied by a detailed CV and made to:

Financial & Administration Director
Bredero Properties plc
The Clock House
4 Dorking Road
Epsom, Surrey KT18 7LX

FINANCIAL CONTROLLERS

EAST AND NORTH WEST LONDON

Two financial controllers are required for our subsidiaries, one based in *East London and the other in* North West London. Both companies are label producers predominantly for the major chain stores.

Reporting *to the Managing Directors, the successful* candidates will be key members of the management teams, and will accept immediate responsibility for the total financial function.

Candidates should be chartered accountants aged 28-35 who are commercially orientated with previous experience in a managerial role, not necessarily in a related industry.

The salary is negotiable and benefits will include a company car, profit sharing scheme, pension scheme and relocation expenses if necessary.

Applicants should write in confideence giving full details of previous experience and current salary to:

THE FINANCIAL DIRECTOR
FERGUSON INDUSTRIAL HOLDINGS PLC
APPLEBY CASTLE
APPLEBY, CUMBRIA CA16 6XH

INTERNATIONAL OPERATIONAL AUDIT

c £23,000 CAR

Our client is an influential and multi-national marketing organisation with prestigious offices in the West End. Operating in over 30 countries, it seeks to increase demand for a key raw material through advertising, consumer promotion and technical consultancy. It's success over many years has been due to the high calibre of its staff and the pursuit of excellence in the fields of producer, consumer and government relations.

This new appointment has been created to review and revise where necessary the accounting and related management systems of its network of overseas offices. The position offers a unique challenge to results orientated individuals seeking to broaden their knowledge and obtain overseas experience in preparation for general management.

Candidates will be graduate chartered accountants with at least two years post *qualification experience in either a major professional office* or a large company. Ideal applicants will be holding an operational audit position and looking for their final tour in a more senior capacity.

Applications with full details of education, experience and present salary, along with a recent photograph, should be sent to:

Bowden Gow Associates

Management Consultants

10 Tonbridge Chambers, Pembury Road, Tonbridge, Kent. TN9 2HZ.

EUROPEAN FINANCIAL CONTROLLER

Leicester based ***Circa £30,000***

The need is for a highly motivated, results orientated professional to plan and direct the financial & management accounting activities of a $25m European component manufacturing Group, working through controllers in Germany, England and France.

Reporting to the European Managing Director, the successful candidate will be significantly involved in business planning & strategy, pro-active problem solving at operating level, the achievement of results and the further development of the computerised reporting and operating systems.

We anticipate candidates being 35 plus, qualified in one of the major accounting disciplines and able to demonstrate commitment to and success in general business management.

In addition to salary as quoted there will be the full range of benefits associated with a position and company of this stature.

Applicants should write with full details of career to date and present earnings etc., quoting reference FT 0752 to Brian J. Smith ACMA at:—

QMS Recruitment

Quorn House, 6 Princess Road West
Leicester LE1 6TP

CIGNA Worldwide Europe

INTERNAL AUDIT

CIGNA Corporation is a leading provider of insurance and financial services to corporations and individuals around the world.

An opportunity exists for an Assistant Director to be appointed and based in the UK or *Continental Europe. Approximately 35% of time will be away from the base office covering* mainly Europe.

Ideally the successful candidate will have a combination of the following:

- Recognised accounting qualification or an MBA
- *Minimum 5-7 years' audit experience gained in financial services*
- Language skills English with French, Italian or German

Salary and benefits will reflect the importance of this position to the CIGNA organisation.

Please contact either:

John Davies	*or*	***Tony Parisi***
Director Human Resources		**Area Manager—Human Resources**
CIGNA House		**9-11 Rue Belliard**
8 Lime Street		**1040 Brussels**
London EC3M 7NA		**Tel: 010 322 516 9811**
Tel: 01-626 8744		

CIGNA

N&S

FORTI NIHIL DIFFICILE

Northern & Shell p.l.c.

GROUP CHIEF ACCOUNTANT

Circa 30K

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday July 23 1987

Strong financial business boosts Sears Roebuck

BY JAMES BUCHAN IN NEW YORK

SEARS ROEBUCK, the world's largest retailer which has diversified widely into financial services, yesterday reported a 37 per cent increase in net income for the June quarter with all its main businesses pushing ahead.

Buoyed by strong growth in its property/casualty insurance subsidiary and a return to profit at its brokerage operation, Sears reported earnings of $390.4m, or $1.03 a share, against $284.9m, or 77 cents a share, in the 1986 June quarter.

Sears' earnings growth was higher than expected and the company's stock rose $1¼ to $52⅝ in early trading.

However, earnings were flattered by a $46.6m increase in capital gains and other income. Revenues grew at a more modest 9 per cent to $11.72bn.

Mr Edward Brennan, chief executive, said the outlook was good for all Sears' business groups: "Consumer confidence remains at a high level, with increasing employment, hours worked and diposable income."

In the June quarter, the slowest progress came in Sears' core retailing operation, where sales growth was 3 per cent (to $6.73bn). However, profits were ahead 12 per cent to $185.8m, before a special $15m charge for re-organisation.

Allstate Insurance, which is riding a strong upturn in the fortunes of the insurance industry, reported a 35 per cent increase in profits to $250.3m – including a $20.3m net benefit from various changes in the Tax Reform Act. Revenues were up 22 per cent at $3.83bn.

Dean Witter, Sears' brokerage subsidiary which lost $18.4m in the 1986 June quarter, reported solid earnings of $31m, on a 17 per cent increase in revenues to $944.1m.

This was despite carrying the high development costs of Discover, the credit card with which Sears is challenging Visa, MasterCard and American Express.

Discover lost $38m in the quarter, against $24.8m, but Mr Brennan said the card "continues ahead of plan."

Coldwell Banker, the group's property operation, reported profits of $12.8m, against $800,000 in the 1986 second quarter, on a 25 per cent increase in revenues to $337m.

Mr Brennan said housing activity had softened slightly, "but 1987 still will be the second-best year since 1979 for existing home sales."

Massa shares up amid bid rumours

By Haig Simonian in Munich

ASKO, the fast-growing West German retailer, is believed to be in takeover talks with Massa, another large food retailing chain.

Mr K. H. Kipp, a member of Massa's founding family, confirmed yesterday that he had been discussing a possible sale of his 24.9 per cent stake in the company. However, he said he did not rule out the possibility of talks with other interested parties apart from Asko.

Meanwhile, shares in Massa, which was floated on the stock exchange last year, have been moving up sharply, closing yesterday DM 1 higher at DM 489.

Both companies, which sell largely through sizeable, out of town, greenfield sites, have been growing fast in an increasingly important sector of West German retailing.

Massa's 1986 group net profits, reported last month, rose to DM 47.1m ($25.3m) from DM 25.8m in 1985 turnover of DM 3.3bn. Asko, which reported its 1986 results last week, more than doubled its turnover to DM 3.7bn from DM 1.8bn the previous year. Net profits rose to DM 28m from DM 25m in 1985.

Massa is the ninth largest food retailer in West Germany, and has a chain of 28 discount stores, many of which are concentrated in the heavily populated Rhine-Main region.

The company has recently chosen a strategy of more careful growth, however, and has focused on higher margin sectors like furniture and electronics.

The company has also become more involved on the financial side of retailing, with low-cost hire purchase. It recently made waves in the normally staid world of West German consumer finance with its planned Massa-card, an in-house credit card, which it hopes will have 100,000 holders within a year.

Overseas side supports Morgan Stanley growth

BY ROD ORAM IN NEW YORK

MORE WALL Street securities firms have reported widely divergent second-quarter results depending on how well they weathered this spring's turbulent bond markets. Morgan Stanley turned in a big increase in profits while First Boston and L.F. Rothschild dipped into the red after heavy trading losses.

Morgan Stanley's net profits for the quarter rose 37 per cent to $62.4m, or $2.46 a share, from $45.5m, or $1.82 a year earlier. Half-year earnings totalled $126.7m, or $5 a share, against $103.5m, or $4.61.

"Despite difficult fixed income market conditions in April and May, the firm's global presence and diversified sources of revenue provided the means for continued growth of income," the company said.

Total revenues rose 20 per cent in the quarter to $830.7m from $690.8m and in the first half to $1.58bn from $1.28bn.

Investment banking was the fast growing segment with a 75 per cent increase in revenues to $235m in the quarter from $133.8m a year earlier.

The firm completed a number of large merchant banking deals. Revenues from principal transactions rose to $145.9m in the quarter from $141.7m, indicating that the firm suffered no overall losses trading on its own account.

In contrast, First Boston reported a deficit on principal transactions of $108.4m against net revenues of $36.9m a year earlier. The losses, previously reported, stemmed from complex options trading on Treasury bonds.

Investment banking revenues soared to $245.4m from $148.6m- reflecting a heavy volume of merchant banking and other mergers and acquisitions deals.

Total revenues were $202.6m against $240.6m resulting in a net loss for the quarter of $13.2m, or 42 cents a share against net profits of $21.6m, or 64 cents.

According to reports on Wall Street, the success of investment banking compared with trading operations has fuelled an intense debate within the firm about its future. The firm has acknowledged that a strategic review is underway.

L.F. Rothschild reported a second-quarter loss of $9.7m, or 64 cents a share, largely reflecting bond trading losses, against net profits of $7.5m or 43 cents a year earlier. Revenues were $124.1m compared with $104.1m.

The firm said trading losses and a lower level of activity in most of its businesses were to blame for the overall loss. First-half net was $6m, or 39 cents, against $21.3m, or $1.32, on revenues of $281m compared with $233.8m.

PepsiCo income soars by 57%

By William Hall in New York

STRONG soft drink sales, special gains and the benefit of acquisitions helped push PepsiCo's second quarter net income 57 per cent higher to $189m, or 72 cents a share, on a 37 per cent rise in revenues to $2.8bn.

Mr D. Wayne Calloway, chief executive, says that each of the group's business segments achieved particularly strong operating results and he is confident that earnings per share from continuing operations will be up by more than 20 per cent in 1987.

In the first half of 1987 PepsiCo's net income rose by 36 per cent to $258m, or 98 cents a share. PepsiCo's shares rose by $½ to $38⅞ in early trading yesterday.

Soft drink earnings rose 52 per cent on a 34 per cent sales increase, aided by the acquisitions of MEI Corporation and Seven-Up International. The company says that its domestic bottler case sales rose 6 per cent led by particularly strong gains in brand Pepsi, "continued double-digit growth" in Diet Pepsi and "a surge" in Mountain Dew.

International bottler case sales rose 27 per cent, helped by the acquisition of Seven-Up. Excluding the latter, case sales rose by 8 per cent and earnings for the quarter tripled mainly as a result of a one-time gain on the sale of the Puerto Rican bottling operations and strong volume in the base business.

Snack food operations continue to grow rapidly with earnings by 40 per cent on a 4 per cent sales gain. Strong margin improvements at Frito-Lay and a one-time gain on the sale of a biscuit plant in Pennsylvania boosted the performance.

Restaurant earnings rose 77 per cent on a 86 per cent sales increase, reflecting the 1986 acquisition of Kentucky Fried Chicken and a one-time gain on the refranchising of certain Pizza Hut restaurants.

Union Pacific lifts earnings to $143m

By Our Financial Staff

UNION PACIFIC, the major US transportation and resources group, lifted second-quarter operating net earnings from $110.1m or 95 cents a share to $143.3m or $1.25, and said it should achieve a strong earnings gain for all 1987.

In 1986 the company earned $485m, or $4.20 a share, before a net $945m restructuring charge in the second quarter.

Sales in the latest quarter were down from $1.58bn to $1.34bn, and fell from $3.4bn to $2.65bn in the first half, when operating net earnings, excluding the charge, rose from $213.2m or $1.83 a share to $265.2m or $2.32.

Railroad earnings were up 14 per cent to $112m in the latest quarter as revenues increased one per cent to $954m. The railroad, which operates 21,000 miles of track in 21 states, had a six per cent gain in second quarter carloadings and a 12 per cent gain in revenue ton-miles while average revenue per carload dropped five per cent.

The resources division more than doubled its second quarter earnings to $48m from $20m, the company said. Exploration and production operating earnings nearly tripled and manufacturing and marketing boosted earnings by 52 per cent.

Clarendon launches bid for Argonaut

BY OUR NEW YORK STAFF

CLARENDON GROUP, a closely held Bermuda-based insurer, has offered more than $600m for the Argonaut Group, a Los Angeles casualty insurer which was spun off last September by Teledyne, the West coast conglomerate.

Clarendon, which is a big investor in high yield "junk" bonds, offered $37 a share for Argonaut in April but this was rejected and the Bermuda-based group has raised its bid to $52 a share in cash.

Argonaut's shares, which hit a low of $17½ last year, rose by $8⅝ to $49⅝ in early trading yesterday.

Drexel Burnham, Clarendon's adviser, has said that it is "highly confident" that it can raise the necessary financing to complete the bid. Argonaut's board of directors will meet today and consider the offer, along with its financial advisers, Goldman Sachs, who have been reviewing the company's financial alternatives.

Mr D. W. Schrempf, Argonaut's president, says that he understands that the Clarendon offer is conditional on management remaining with the company after the change in ownership.

Clarendon's interest in the Argonaut Group, which is recovering from five years of heavy losses, has surprised some Wall Street analysts. However, they note that Argonaut's cash flow and big investment portfolio is an attraction.

Daimler's management reshuffle ends leadership speculation

BY ANDREW FISHER IN STUTTGART

DAIMLER-BENZ last night announced its long-awaited management reshuffle aimed at clarifying the leadership of the diversified West German motor group and ending months of speculation about boardroom changes.

Mr Edzard Reuter will become the new management board chairman in succession to Mr Werner Breitschwerdt, who is to step down on September 1. Joining the board from January 1, 1988, to take charge of the trucks division will be Mr Helmut Werner, currently chairman of the Continental tyre company.

The board changes, already widely foreshadowed, were announced by Mr Alfred Herrhausen, co-chairman of Deutsche Bank, which owns 28 per cent of Daimler's shares. Mr Herrhausen heads the supervisory boards of both Daimler and Continental.

He said the supervisory board, which approves major management appointments and investments, was unanimous on the board moves. These follow widespread reports of boardroom disagreements, mainly over the leadership style of Mr Breitschwerdt and the need to develop a clearer concept for integrating the recent acquisitions of AEG (electronics), MTU (engines), and Dornier (aerospace).

Mr Breitschwerdt, whose background is mainly technical, had told the supervisory board he wished to step down before reaching his 60th birthday in September and for unspecified personal reasons. Mr Herrhausen declined to comment further.

But he pointed out that Daimler's future problems would have a greater strategic character than in the past and a corresponding leadership would be required. Mr Reuter, currently deputy chairman and finance director, is regarded in the industry as having a well-developed strategic sense.

Holmes à Court backs Texaco's damages plan

BY OUR NEW YORK STAFF

TEXACO, THE US oil company fighting for its survival in the bankruptcy courts, received support from the least expected quarter in the form of a ringing endorsement from its main shareholder, the Australian entrepreneur, Mr Robert Holmes à Court.

In a letter sent to Mr James Kinnear, Texaco chief executive, Mr Holmes à Court lined up firmly behind management's strategy to fight a $10.3bn damages judgment awarded to Pennzoil, its smaller Texas rival.

Mr Holmes à Court, who is known for audacious corporate raids and has spent more than $800m building up a stake of nearly 10 per cent in Texaco, said: "We would certainly give our support to the management of Texaco in our capacity as a significant shareholder."

The Holmes à Court letter was welcomed with undisguised pleasure by Texaco, which took refuge in bankruptcy to escape enforcement of the damages. They were awarded by the Texas courts on the grounds that Texaco illegally meddled with Pennzoil's agreement to merge with Getty Oil in 1984. Texaco, which is based in New York State, has appealed to the Texas Supreme Court to overturn the judgment.

The letter was seen as a setback for Pennzoil, which has sought to drive a wedge between Texaco's management and its shareholders and creditors.

In a filing before the bankruptcy court on Monday, Pennzoil offered to accept speedy payment of only 40 cents in the dollar – or $4.1bn – to settle the dispute. In making its proposal to the court, Pennzoil invited creditors and shareholders to abandon a management pursuing a "bet the company" strategy in fighting Pennzoil through the courts.

But Mr Holmes à Court, an enigmatic investor who has said that he does not wish to influence the dispute, said: "We do not hold the view that Texaco management should be pressured or influenced or rushed into a compromise with Pennzoil. It would seem abundantly clear to me that the interests of management and shareholders in Texaco are one and the same."

Capital Cities advances 49%

By Our New York Staff

CAPITAL CITIES/ABC, the US broadcasting and publishing group, has increased second-quarter net income by 49 per cent to $99.7m.

Revenues rose by 6 per cent to $1.13bn in the second quarter with broadcasting revenues increasing by 6 per cent and publishing revenues by 3 per cent. Network TV revenues increased slightly in the second quarter despite "disappointing ratings".

The group says that continued local advertising growth for most of its major-market TV stations as well as gains at ESPN, its cable sports channel, also contributed to the increase in broadcasting revenues.

Amoco makes modest gain on oil price rise

By Our Financial Staff

AMOCO, the Chicago-based oil concern currently embroiled in a C$5.2bn (US$3.94bn) battle for Dome Petroleum, the beleaguered Canadian energy group, has staged a small recovery in earnings.

Second-quarter net profits amounted to $311m or $1.22 a share, $51m up on the preceding three months and 30 per cent above 1986's corresponding $238m or 93 cents a share.

This lifted first-half earning to $571m or $2.24 a share against last year's depressed $569m or $2.21 a share.

Amoco said US exploration and production operations earned $48m in the quarter compared with a loss of $49m in the same period last year. The group added that the improvement was due largely to higher crude oil prices averaging $4 to $5 a barrel above 1986 levels.

Revenues totalled $10.82bn against $10.92bn for the half-year and $5.63bn against $5bn for the quarter.

For the whole of 1986, Amoco posted net earnings of $747m or $2.91 a share

US quarterly results

AMERICAN BRANDS
Tobacco products

Second quarter	1987 $	1986 $
Revenue	2.3bn	1.93bn
Net income	107.5m	97.6m
Net per share	0.94	0.85
Six months		
Revenue	4.83bn	4.05bn
Net income	238.2m	216.3m
Net per share	2.09	1.90

BRISTOL-MYERS
Pharmaceuticals

Second quarter	1987 $	1986 $
Revenue	1.31bn	1.17bn
Net income	161.5m	119.3m
Net per share	0.56	0.42
Six months		
Revenue	2.60bn	2.37bn
Net income	335.4m	263.8m
Net per share	1.17	0.93

CINCINNATI MILACRON
Machine tools

Second quarter	1987 $	1986 $
Revenue	192.4m	208.1m
Net income	4.0m	5.7m
Net per share	0.19	0.24
Six months		
Revenue	381.8m	388.8m
Net income	9.2m	10.9m
Net per share	0.38	0.45

ENGLEHARD
Precious metals refiner.

Second quarter	1987 $	1986 $
Revenue	600.9m	492.9m
Net income	10m	15.4m
Net per share	0.41	0.38
Six months		
Revenue	1.14bn	1.02bn
Net income	42.4m	28.8m
Net per share	1.00	0.88

GTE
Telecommunications

Second quarter	1987 $	1986 $
Revenue	3.85bn	3.78bn
Net income	223.2m	308.6m
Net per share	0.66	0.92
Six months		
Revenue	7.54bn	7.33bn
Net income	487.9m	591.5m
Net per share	1.44	1.78

IRVING BANK
Banking

Second quarter	1987 $	1986 $
Assets	24.2bn	22.2bn
Net income	†142m	34m
Net per share	17.87	1.83
Six months		
Revenue	—	—
Net income	†113.4m	64m
Net per share	16.36	3.45

† Loss includes $261m LDC loan loss provision

KNIGHT-RIDDER
Newspapers, media

Second quarter	1987 $	1986 $
Revenue	526.9m	487.9m
Net income	43m	38.3m
Net per share	0.73	0.66
Six months		
Revenue	1.02bn	935.3m
Net income	71.7m	64.9m
Net per share	1.22	1.12

McDONALD'S
Fast food chain

Second quarter	1987 $	1986 $
Revenue	1.25bn	1.08bn
Net income	147.4m	129.8m
Net per share	0.77	0.67
Six months		
Revenue	2.31bn	2.02bn
Net income	263.5m	223.8m
Net per share	1.33	1.15

MARTIN MARIETTA
Defence, aerospace

Second quarter	1987 $	1986 $
Revenue	1.37bn	1.23bn
Net income	71.6m	57.3m
Net per share	1.31	1.04
Six months		
Revenue	2.51bn	2.31bn
Net income	115.6m	105.7m
Net per share	2.11	1.92

3M
Industrial and consumer products

Second quarter	1987 $	1986 $
Revenue	2.38bn	2.19bn
Net income	240m	198m
Net per share	1.05	0.86
Six months		
Revenue	4.59bn	4.25bn
Net income	453m	379m
Net per share	1.98	0.65

NATIONAL STEEL
Steelmaker (US/Japan joint venture)

Second quarter	1987 $	1986 $
Revenue	615.7m	531m
Net income	18.4m	†4.6m
Net per share	—	—
Six months		
Revenue	1.15bn	1bn
Net income	12.8m	†44m
Net per share	—	—

† Loss

NIKE
Sportswear

Fourth quarter	1986-87 $	1985-86 $
Revenue	237.7m	245m
Net income	11.5m	13.7m
Net per share	0.29	0.36
Year		
Revenue	877.4m	1.07bn
Net income	35.9m	59.2m
Net per share	0.93	1.55

FMC
Defence, aerospace, oilfield equipment

Second quarter	1987 $	1986 $
Revenue	833.4m	812.2m
Op. net income	†133.9m	49.2m
Net per share	†2.81	0.41
Six months		
Revenue	1.58bn	1.57bn
Op. net income	†158.9m	74.9m
Net per share	†3.35	0.56

† Includes $95m gain from sale of FMC Gold

PHELPS DODGE
Metals mining

Second quarter	1987 $	1986 $
Revenue	365.3m	220.8m
Net income	25.2m	16m
Net per share	0.77	0.47
Six months		
Revenue	728.2m	451.7m
Net income	42.1m	31.2m
Net per share	1.28	0.91

PITNEY BOWES
Office equipment

Second quarter	1987 $	1986 $
Revenue	552.1m	485.7m
Net income	44.6m	38m
Net per share	0.56	0.48
Six months		
Revenue	1.06bn	928m
Net income	85.6m	75.1m
Net per share	1.08	0.95

ROCKWELL INTERNATIONAL
Defence aerospace, robotics

Third quarter	1987 $	1986 $
Revenue	3bn	3.1bn
Net income	170.1m	163.3m
Net per share	0.61	0.55

Continued on Page 35

INTL: COMPANIES and FINANCE

GROWTH IN PREMIUM INCOME FORECAST

Allianz lifts earnings to DM383m

BY HAIG SIMONIAN IN MUNICH

ALLIANZ, West Germany's largest insurance group, lifted 1986 group net earnings to DM 383m ($206m) from DM 328m in 1985 on premium income which rose by 10.3 per cent to DM 19.2bn.

Premium income in 1987 is expected to increase to over DM 25bn due largely to the first-time inclusion of results for Riunione Adriatica di Sicurta (RAS), said Mr Wolfgang Schieren, the chief executive.

However, premiums this year will grow at a "satisfactory" rate even without RAS, added Mr Schieren. If RAS had been included for 1986 foreign premiums would have represented 37.5 per cent of Allianz's total premium income, he said.

Domestic premiums look set to increase by 4 per cent this year. However, an "extraordinary" rise in domestic claims so far in 1987, mainly on industrial fire and auto policies, was likely to have a "marked" effect on profitability. Foreign premiums and earnings growth would both be "satisfactory" in 1987, Mr Schieren added.

Allianz's overall rate of return fell from 7.6 per cent to 6.6 per cent last year at holding company level. The return at Allianz Leben, the life subsidiary, had narrowed by 0.1 per cent to 7.7 per cent.

Mr Schieren confirmed that Allianz had still not found a suitable US acquisition, despite almost two years' search. Plenty of offers were coming in, he said, but these tended to be from problem-laden insurers.

The company would like to double its present US annual premium income of $700m. Even companies in the $300m to $400m premium band "would be interesting" so long as they were relatively trouble free.

Meanwhile, the group would have around DM 2.1bn in its "war chest"—including DM 1.5bn raised last year but not yet touched—following its recent DM 600m rights issue and the profit participation certificates issue planned for October, said Mr Friederich Schiefer, the finance director.

That total could be increased if Allianz chose to liquidate short-term assets, he added. But its willingness to do so would depend on the profitability of any potential acquisition: selling short-term assets would reduce investment income, and any acquisition would have to make up this shortfall if Allianz's overall profitability were not to be damaged.

Allianz's total investment capital, which stands at DM28.1bn in the books, is more like DM65bn, according to some "conservative" estimates, said Mr Schiefer. The figure could probably rise to more than DM100bn depending on methods of calculation and if indirectly-owned assets were included, he added.

Following renewed speculation about structural changes in German insurance, Mr Schieren repeated that Allianz, which is believed to own about 22 per cent of Bayerische Hypothekenbank, one of Germany's largest banks, had no plans to buy a bank or develop further into financial services.

Allianz is currently the world's seventh largest insurance company.

Benetton bank purchase blocked

BY ALAN FRIEDMAN IN MILAN

THE Bank of Italy has blocked Benetton, the leading Italian clothing group, from acquiring control of Credito Milanese, a medium-sized Milan bank.

The clothing company, whose managing director — Mr Aldo Palmeri — is a former Bank of Italy official, held informal discussions with the central bank and decided not to request formal approval for the deal.

Benetton already has an indirect holding in Credito Milanese. As part of its policy of diversifying into financial services Benetton owns 20 per cent of the Istituto per lo Sviluppo Atesino, which in turn has 63 per cent of Credito Milanese. Until the Bank of Italy stepped in Benetton had been considering the purchase a direct 45 per cent stake in the bank.

Benetton has other minority stakes in regional banks and controls a bank in the tiny republic of San Marino. The clothing group two weeks ago unveiled details of its plan to diversify into financial services and merchant banking.

It is putting together a range of activities including leasing, factoring, insurance, mutual funds, portfolios management and securities underwriting under the management of Mr Giovanni Franzi, a former executive of Merrill Lynch in London.

The Bank of Italy yesterday drew attention to the administrative guidelines which make clear "the separation between banks and non-financial companies." The guidelines allow for industrial companies to buy minority shareholdings only in banks.

Air France to float 15% of equity this year

By Paul Betts in Paris

AIR FRANCE, the French national airline, gave an insight into its privatisation plans yesterday by announcing that 15 per cent of its capital would be floated on the bourse before the end of this year.

However, the airline, which faces a big fleet renewal programme, gave no indication of the amount it would raise through the share issue.

Mr Jacques Friedmann, the chairman, has long made it clear that he favoured opening part of Air France's capital as a means of easing the airline's financing difficulties.

Mr Friedmann said Air France's fleet renewal programme involved FFr 25bn ($4bn) over an eight-year period. The airline hope to buy 25 Airbus A-320s, 16 Boeing 747-400s, and seven Airbus A-340s.

Company officials said yesterday that there was no question of Air France being wholly privatised. The Government owns 99.38 per cent of the airline.

Mr Freidman said he was keen to see Air France employees become shareholders in the company. As a result the company is planning to set aside 10 per cent of its forthcoming capital increase for employees.

MBB-Daimler talks confirmed

BY OUR FRANKFURT STAFF

DAIMLER BENZ, the West German motor group which has diversified into electronics and aerospace in the past two years, yesterday denied reports that it was taking a stake in Messerschmitt-Boelkow-Blohm (MBB), the country's leading aerospace group.

However, MBB has confirmed that talks with Daimler are taking place, although it is believed these fall short of discussions on equity links and most likely involve some form of closer co-operation between MBB and Dornier, Germany's second biggest aircraft group, controlled by Daimler.

MBB strenuously denied earlier reports which claimed that Mr Alois Schwarz, the deputy chairman of its supervisory board, had said in a radio interview that an agreement with Daimler had almost been reached, under which it would receive MBB shares in return for bringing Dornier under MBB's wing. Effective management control of the whole group would eventually go to Daimler.

Meanwhile, Mr Wolfgang Schieren, chief executive of Allianz, West Germany's biggest insurance group, which indirectly owns 4.63 per cent of MBB, said in Munich yesterday that his group had not been approached regarding its stake in the company.

Allianz would like to remain involved in MBB, he said. However, it would not stand in the way of any "industrial solution" —taken to mean participation by Daimler—should that mean giving up its stake.

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BARINGS

This announcement appears as a matter of record only. The Notes have not been registered under the United States Securities Act of 1933 and may not, as part of the distribution, be offered, sold or delivered directly or indirectly in the United States or to United States persons.

AIR PRODUCTS

AIR PRODUCTS AND CHEMICALS, INC.

(Incorporated with limited liability under the laws of the State of Delaware, United States of America)

Issue of

£50,000,000

9½ per cent. Notes Due 1997

Issue Price 100¼ per cent.

Baring Brothers & Co., Limited

Algemene Bank Nederland N.V. ◆ Banque Bruxelles Lambert S.A.
Commerzbank Aktiengesellschaft ◆ County NatWest Limited
EBC Amro Bank Limited ◆ Mellon Securities Limited
Merrill Lynch Capital Markets ◆ Nomura International Limited
Philadelphia National Limited ◆ J. Henry Schroder Wagg & Co. Limited
Shearson Lehman Brothers International ◆ Union Bank of Switzerland (Securities) Limited
Westdeutsche Landesbank Girozentrale

May, 1987

This announcement appears as a matter of record only.

Blue Circle Industries PLC

(Incorporated with limited liability in England)

£60,000,000

6¾ per cent. Subordinated Convertible Bonds Due 2002

Convertible into ordinary shares

Baring Brothers & Co., Limited ◆ Swiss Bank Corporation International Limited

Algemene Bank Nederland N.V. ◆ Banque Bruxelles Lambert S.A.
Banque Nationale de Paris ◆ Commerzbank Aktiengesellschaft
County NatWest Capital Markets Limited ◆ Credit Suisse First Boston Limited
Kidder, Peabody International Limited ◆ Morgan Guaranty Ltd
Nomura International Limited ◆ Security Pacific Hoare Govett Limited
Shearson Lehman Brothers International ◆ Sumitomo Finance International
Westdeutsche Landesbank Girozentrale ◆ Union Bank of Switzerland (Securities) Limited

May, 1987

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GENERAL MOTORS ACCEPTANCE CORPORATION (U.K.) FINANCE PLC

(Incorporated in England)

Guaranteed as to payment of principal and interest by

GENERAL MOTORS ACCEPTANCE CORPORATION

(Incorporated in the State of New York, United States of America)

£50,000,000

9% Notes Due 1992

Baring Brothers & Co., Limited

BankAmerica Capital Markets Group ◆ Banque Bruxelles Lambert S.A.
Chemical Bank International Group ◆ Commerzbank Aktiengesellschaft
County NatWest Limited ◆ Crédit Lyonnais
Credit Suisse First Boston Limited ◆ Generale Bank
Hambros Bank Limited ◆ Kleinwort Benson Limited
Lloyds Merchant Bank Limited ◆ Merrill Lynch Capital Markets
Morgan Stanley International ◆ Salomon Brothers International Limited
Société Générale ◆ Swiss Bank Corporation International Limited
Union Bank of Switzerland (Securities) Limited

May, 1987

This announcement appears as a matter of record only.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Issue of

£200,000,000

9¼ per cent. Bonds Due 2007

Issue Price 98¾ per cent.

Baring Brothers & Co., Limited

Algemene Bank Nederland N.V. ◆ Banque Paribas Capital Markets Limited
Barclays de Zoete Wedd Limited ◆ County NatWest Limited
Credit Suisse First Boston Limited ◆ Daiwa Europe Limited
Deutsche Bank Capital Markets Limited ◆ Generale Bank
Goldman Sachs International Corp. ◆ Hambros Bank Limited
Hill Samuel & Co. Limited ◆ Kleinwort Benson Limited
Lloyds Merchant Bank Limited ◆ LTCB International Limited
Merrill Lynch Capital Markets ◆ Samuel Montagu & Co. Limited
Morgan Grenfell & Co. Limited ◆ Morgan Guaranty Ltd.
Nomura International Limited ◆ Orion Royal Bank Limited
Salomon Brothers International ◆ Security Pacific Hoare Govett Limited
J. Henry Schroder Wagg & Co. Limited ◆ Swiss Bank Corporation International Limited
Union Bank of Switzerland (Securities) Limited ◆ S. G. Warburg Securities

June, 1987

This announcement appears as a matter of record only.

GREAT PORTLAND ESTATES P.L.C.

Further issue by way of placing of

£40,000,000

nominal of 9½ per cent.
First Mortgage Debenture Stock 2016
at £97.079 per cent.

Baring Brothers & Co., Limited ◆ Cazenove & Co.

May, 1987

This announcement appears as a matter of record only.

Covered Swiss Franc equity warrants exerciseable into 7,000,000 shares of Hazama-Gumi, Ltd.

Issued by

BARINGS B.V.

Swiss Private Placement led by
Baring Brothers S.A., Geneva.

Banca del Gottardo ◆ Banque Morgan Grenfell en Suisse S.A.
Banque Paribas (Suisse) S.A. ◆ Chase Manhattan Bank (Switzerland)
Compagnie de Banque et d'Investissements (CBI) ◆ Handelsbank N.W.
The Industrial Bank of Japan (Switzerland) Ltd. ◆ Lombard, Odier et Cie
Nippon Kangyo Kakumaru (Switzerland) S.A. ◆ Samuel Montagu (Suisse) S.A.
Swiss Volksbank

Warrant Agent
Banque Paribas (Suisse) S.A.

Market maker
Baring Securities Ltd.

June, 1987

This announcement appears as a matter of record only.

Covered Swiss Franc equity warrants exerciseable into 27,000,000 shares of Kubota, Ltd.

Issued by

BARING BROTHERS & CO., LIMITED

Swiss Private Placement led by
Baring Brothers S.A., Geneva.

Banque Kleinwort Benson S.A. ◆ Banque Morgan Grenfell en Suisse S.A.
Chase Manhattan Bank (Switzerland) ◆ Clariden Bank
Compagnie de Banque et d'Investissements (CBI) ◆ Handelsbank N.W.
Manufacturers Hanover Trust Company (Suisse) S.A. ◆ Morgan Stanley S.A.
S. G. Warburg-Soditic S.A. ◆ Swiss Volksbank

Warrant Agent
Banque Paribas (Suisse) S.A.

Market maker
Baring Securities Ltd.

March, 1987

This announcement appears as a matter of record only.

Covered Swiss Franc equity warrants exerciseable into 7,000,000 shares of Mitsubishi Chemical Industries Limited

Issued by

BARINGS B.V.

Swiss Private Placement led by
Baring Brothers S.A., Geneva.

Banca del Gottardo ◆ Banque Morgan Grenfell en Suisse S.A.
Banque Paribas (Suisse) S.A. ◆ First Chicago S.A.
Handelsbank N.W. ◆ Morgan Stanley S.A.
The Nikko (Switzerland) Finance Co., Ltd. ◆ Samuel Montagu (Suisse) S.A.
Swiss Volksbank

Warrant Agent
Banque Paribas (Suisse) S.A.

Market maker
Baring Securities Ltd.

May, 1987

This announcement appears as a matter of record only.

Covered Swiss Franc equity warrants exerciseable into 10,000,000 shares of Mitsubishi Gas Chemical Co., Inc.

Issued by

BARING BROTHERS & CO., LIMITED

Swiss Private Placement led by
Baring Brothers S.A., Geneva.

Banca del Gottardo ◆ Banque Morgan Grenfell en Suisse S.A.
Banque Paribas (Suisse) S.A. ◆ Chase Manhattan Bank (Switzerland)
Chemical Capital Markets Corporation (Geneva) S.A. ◆ Compagnie de Banque et d'Investissements (CBI)
First Chicago S.A. ◆ Handelsbank N.W.
The Nikko (Switzerland) Finance Co., Ltd. ◆ Samuel Montagu (Suisse) S.A.
Swiss Volksbank

Warrant Agent
Banque Paribas (Suisse) S.A.

Market maker
Baring Securities Ltd.

May, 1987

This announcement appears as a matter of record only.

Covered Swiss Franc equity warrants exerciseable into 2,250,000 shares of Seino Transportation Co., Limited

Issued by

BARINGS B.V.

Swiss Private Placement led by
Baring Brothers S.A., Geneva.

Banca del Gottardo ◆ Banque Louis-Dreyfus en Suisse S.A.
Banque Morgan Grenfell en Suisse S.A. ◆ Banque Paribas (Suisse) S.A.
Chase Manhattan Bank (Switzerland) ◆ Compagnie de Banque et d'Investissements (CBI)
First Chicago S.A. ◆ Handelsbank N.W.
The Industrial Bank of Japan (Switzerland) Ltd. ◆ Manufacturers Hanover (Suisse) S.A.
Samuel Montagu (Suisse) S.A. ◆ Swiss Volksbank

Warrant Agent
Banque Paribas (Suisse) S.A.

Market maker
Baring Securities Ltd.

June, 1987

This announcement appears as a matter of record only.

Covered Swiss Franc equity warrants exerciseable into 6,000,000 shares of Suzuki Motor Co., Ltd.

Issued by

BARINGS B.V.

Swiss Private Placement led by
Baring Brothers S.A., Geneva.

Banca Commerciale Italiana ◆ Bankers Trust A.G.
Banque Indosuez ◆ Banque Kleinwort Benson S.A.
Banque Morgan Grenfell en Suisse S.A. ◆ Banque Paribas (Suisse) S.A.
Compagnie de Banque et d'Investissements (CBI) ◆ First Chicago S.A.
Handelsbank N.W. ◆ The Industrial Bank of Japan (Switzerland) Ltd.
Nippon Kangyo Kakumaru (Switzerland) S.A. ◆ Okasan (Switzerland) Finance Ltd.
Swiss Volksbank

Warrant Agent
Banque Paribas (Suisse) S.A.

Market maker
Baring Securities Ltd.

July, 1987

This announcement appears as a matter of record only.

Covered Swiss Franc equity warrants exerciseable into 3,000,000 shares of Yamaichi Securities Company, Limited

Issued by

BARING BROTHERS & CO., LIMITED

Swiss Private Placement led by
Baring Brothers S.A., Geneva.

Banca del Gottardo ◆ Banque Louis-Dreyfus en Suisse S.A.
Banque Paribas (Suisse) S.A. ◆ Chase Manhattan Bank (Switzerland)
Citicorp Investment Bank (Switzerland) ◆ Clariden Bank
Compagnie de Banque et d'Investissements (CBI) ◆ Handelsbank N.W.
Lombard, Odier & Cie ◆ Morgan Stanley S.A.
Samuel Montagu (Suisse) S.A. ◆ S. G. Warburg-Soditic S.A.
Swiss Volksbank

Warrant Agent
Banque Paribas (Suisse) S.A.

Market maker
Baring Securities Ltd.

March, 1987

INTL. COMPANIES and FINANCE

Chris Sherwell on the rapid growth of a New Zealand property group

Chase shifts its focus offshore

ASK New Zealanders about the most palpable changes wrought by their market-oriented Labour Government, and they'll quickly point to the skylines of Auckland and Wellington.

Ask them which property development companies are responsible, and one of the names on the list will almost certainly be Chase Corporation.

No relation to the US bank, it is headed by 42 year old Colin Reynolds, a grey-bearded butcher's son from a North Island country town who trained as an accountant but decided at an early stage he wanted to be a businessman.

After travelling abroad — almost *de rigueur* for young New Zealanders—Mr Reynolds started his career back at home in the late 1960s, working in a provincial accounting practice. He formed Chase "as a hobby" in 1970, but began working full-time by 1972 and moved to Auckland in 1973.

A self-confessed "obsessive planner," he has been the driving force behind Chase from the start and is still the controlling shareholder.

The business grew by identifying poorly performing property companies with assets in land and taking them over. Chase went public in 1983 through the takeover of an existing shell and has grown so rapidly it is now justifiably seen as much more than an entrepreneurial property company.

To its basic business it has added other property-related cash-generating operations—the Amalgamated Theatres chain in 1982, Universal Homes in 1985 and, last year, the Farmers Trading retail group.

By the end of 1985, Chase had already grown to 25th largest company in New Zealand in terms of market capitalisation. A year later it was third largest, behind Brierley Investments and the more conventional Fletcher Challenge.

The sharp correction in the overbought New Zealand market since last November, however, has hit Chase's share price more than most.

The widely-watched Barclays index of 40 stocks fell more than 22 per cent from a peak of 3,912 to 3,024 by the end of June, and the company had slipped back to 10th position. Its share price stood at NZ$3.40, little more than one-third of its all-time high of NZ$9.50.

Mr Reynolds is not worried by this, saying it was inevitable in a retail-led market that the most popular stocks on the way up would become the most unpopular on the way down.

In support, two New Zealand stockbroking firms, Jordan Sandman Smythe and Hendry Hay McIntosh, both say the fall has left the company valued below its fundamental worth on the basis of its earnings and net assets.

Forecasts for net earnings in the 15 months to June (the group's accounting year has changed) range from NZ$125m to NZ$135m (US$82m), a sharp rise from the NZ$50.1m reported for the year to March 1986. Projected earnings for 1987-88 are NZ$160m-170m.

The confidence behind these predictions stems in part from the fact that Chase's property activities are largely demand-driven.

The predictions also spring from the move offshore and into non-property interests. By the end of the current year the group will have about one-third of its assets in New Zealand. Until recently, the figure had been more like 55-60 per cent.

ENTREGROWTH INTERNATIONAL, the US arm of Chase Corporation, has made a US$28 a share offer for Standard Brands Paint, a subsidiary of the US tobacco, food and diversified group.

The offer, made up of US$21 a share in cash and US$7 in convertible notes, values Standard Brands Paint at US$295m. The company, based in Terrance, California, operates a chain of home decorating and art shops.

Standard Brands Paint said its board would consider the bid at its next meeting tomorrow, but declined to make any other comment on what it called an "uninvited proposal."

Entregrowth, which recently bought some 4.8 per cent of the company through the stock market, claims to be Standard Brands Paint's second largest shareholder.

Standard Brands Paint last year earned US$15m, or US$1.33 a share, on sales of US$328.6m.

This is not to say Chase is backing away from New Zealand. It has about 50 property developments in progress there, and Farmers' Trading, the country's largest retail chain (with about 80 outlets), represents a major diversification.

But the shift is nevertheless abroad. Another one-third of the group's assets will therefore be located in Australia, which will provide much of the current year's profit growth, and the remaining one-third will be elsewhere — mostly Britain, though also the US and Hong Kong, from where profit contributions are expected in 1989 and 1990.

Explaining the strategy, Mr Reynolds talks a lot about cycles. "We're trying to get a mix of property activities and other businesses to smooth out the cycles. The same applies with countries."

Chase acquired a controlling interest in London-based Wingate Property Investments in August 1986 and then launched a takeover for Property Holdings and Investment Trust (PHIT).

The merged group, called Chase Property Holdings, has a property portfolio of some £270m. It is now redirecting the group's trust from investment to development.

The greatest concentration of offshore effort has been on Australia, where the group was listed in November 1985—and where Mr Reynolds now lives.

There, the main property company is Property Estates, purchased at the end of 1985, but Chase has also acquired an 84 per cent stake in Hanimex, the camera equipment retailer, while 60 per cent-owned Botena is the holding company for Chase's resources interests.

Mr Reynolds says he also likes to back people, products or ideas; "a business-building exercise because we cannot afford to expand by acquisition."

The group recently floated Interchase as a property investment vehicle, raising A$320m (US$227m) to purchase the Myer Centre, one of Australia's largest retail developments. The float was one of the biggest seen in the country. Chase's stake in the new company is 49.5 per cent.

The result of such a move will be that Chase realises most of its developments instead of retaining them. This in turn should mean less controversy over Chase's accounts.

For all its achievements as a property developer, Chase's reputation is mixed, at least in New Zealand. But as an investment, the company has mostly proved rewarding to its 37,000 shareholders. The challenge for Mr Reynolds will be to continue the record.

Dealings in First Capital shares under investigation

BY ROGER MATTHEWS IN SINGAPORE

OFFICIALS from Singapore's Ministry of Finance are looking into recent share dealings revolving around First Capital Corporation, the fast-growing property company controlled by former banker, Mr Allan Ng.

There has been no official statement about the inquiries, but First Capital stressed last night that it was not under investigation and said that, in so far that it was aware, none was contemplated.

It has asked the Stock Exchange to lift the suspension of trading in its shares, which it requested on Monday, and stressed that First Capital was "exactly the same first-class company that it has always been."

First Capital shares were last traded at S$2.23, off from their peak of S$2.55, but still three times higher than earlier in the year. The company suspects that recent rumours may have caused some damage to its image and fears that this could be reflected in its share price.

The company has enjoyed a particularly active year, starting in January, when First City Holdings, Mr Ng's investment vehicle, bought from Standard Chartered Bank a 24 per cent stake in Sealion Hotels, which had recently sold its only asset, the Hyatt Regency Hotel.

The shares sold by Standard Chartered were part of a package which had been mortgaged to the bank by Monsia Investments, a Malaysian company run by Mr Yap Yong Seong, against loans of some S$100m (US$47m).

Sealion Hotels, subsequently renamed First Capital Corporation, then launched into the property market, making three major acquisitions.

To finance its most recent purchase, First Capital has proposed a rights issue aimed at raising up to S$160m. However, the issue was then withdrawn for repackaging.

At the same time, Standard Chartered has disposed of the remaining part of the Monsia stake in First Capital.

First Capital said last night that it was continuing with the preparations of the documentation for its proposed rights

AIBD BOND INDICES

WEEKLY EUROBOND GUIDE JULY 17 1987

	Redemption Yield	Change on Week %	12 Months High	12 Months Low
US Dollar	9.326	−0.544	9.702	8.440
Australian Dollar	13.750	−0.528	14.735	13.585
Canadian Dollar	10.393	0.348	10.776	9.372
Euroguilder	6.048	−2.562	6.250	5.804
Euro Currency Unit	8.621	0.023	8.882	8.219
Yen	5.874	0.376	6.449	5.218
Sterling	9.736	−0.997	11.609	9.443
Deutschemark	6.072	0.049	6.506	5.890

Bank J. Vontobel & Co Ltd, Zurich - Telex: 812744 JVZ CH

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Schroder repackage offer for $1bn of perpetuals

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

AN INNOVATIVE offer was launched yesterday to buy up to $1bn of perpetual floating rate notes in exchange for fixed-term securities to be guaranteed by a US insurance company and expectedt o have a triple-A rating.

J. Henry Schroder Wagg, the UK merchant bank, has devised the offer which is designed to improve the capital ratios of banks which own perpetuals. It is co-sponsored by Salomon Brothers International and Nomura International.

The launch had been planned for Tuesday evening, but was delayed as lawyers wrangled over documentation of trust deeds.

Some $18bn of perpetual bonds have been languishing at prices 10 to 20 per cent below face value since the sector collapsed last year, causing a crisis in the Eurobond market.

Under UK and US rules, banks holding a perpetual issued by another bank must deduct the amount of the holding from their primary capital.

However, the Bank of England will not require the new securities to be treated as issued by another bank. The capital required to back the investment will thus effectively be reduced from 100 to 10 per cent.

The attitude of US regulators, however, is unclear. The Japanese authorities do not at present require banks holding holders of other banks' perpetuals to deduct them from primary capital, but all three countries are involved in talks on convergence of bank capital rules. Japanese banks are large holders of perpetuals.

In a complex tender, holders of some $13.8bn of 37 eligible perpetuals issued by 24 borrowers are being invited to put up, in addition to the notes themselves, an additional cash amount depending on the quality of individual issues tendered. Schroder will list a tender price each day for each eligible issue.

The initial prices — the cash amounts which holders must put up — ranged from $13.99 per $100 face value for issues by overseas subsidiaries of Barclays and National Westminster banks, up to $21.76 for a Bank of Ireland issue.

For each $1m of notes successfully tendered, holders will receive $930,000 of 28-year bonds issued by Security Investment Holdings, a special purpose Cayman Islands company, bearing interest at 0.3 percentage points above money market rates. They will also get non-voting shares in the vehicle company.

The Cayman company will hold the perpetuals and use the interest on them to pay interest on the new bonds. The mechanism cannot be used to mop up only the worst-performing perpetuals because Financial Security Assurance, the US company providing the guarantee, requires that a balanced portfolio be purchased in order to reduce the likelihood of a default.

The Cayman vehicle will hold a portfolio of zero coupon bonds issued by the US Government and the World Bank as collateral for repayment of the new notes.

The cash put up by successthe purchase of the zero coupon ful tenderers will go towards bonds and to the insurance premium to be paid to FSA.

Jardine sets up investment fund for China

By Kevin Hamlin in Hong Kong

JARDINE FLEMING, the Hong Kong-based merchant banking and investment group, has formed what it claims is the first international investment company that will invest directly and exclusively in China.

The new company, called JF China Investment, has an initial working capital of US$23m, and is backed by a wide international selection of investment groups.

Jardine Fleming and Robert Fleming together hold about 25 per cent of issued share capital, while the other shareholders individually hold between 7 per cent and 20 per cent.

Notification time for DM issues cut to two days

BY HAIG SIMONIAN IN FRANKFURT

THE BUNDESBANK is cutting the notification period for new Deutschemark Eurobond issues to two days from the 14 days previously required.

The new rule, which will come into effect next month, was widely welcomed by leading investment bankers in Franfurt yesterday.

A reduction in the notification period had been widely expected as part of the Bundesbank's cautious reform of the West German capital markets. However, changing the rule involved "a balance of interests," according to a top Bundesbank official, "which also protects our interests." Many Frankfurt bankers had expected the next step would be a cut to seven days' notice.

The calendar system has been widely criticised as one of the main remaining obstacles in the D-Mark Eurobond market on the grounds that it plays havoc with bond deals depending on underlying currency swaps or warrants.

Many deals have had to be withdrawn before being issued owing to changes in exchange rate relationships during the notification period. The much shorter period should in theory lead to a marked increase in the number of swap-driven D-Mark Eurobond issues.

The Bundesbank had already moved towards meeting the market's requirements last year, when it reduced the calendar period from one month to 14 days.

Some bankers would have liked to see notification disappear altogether.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on July 22

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅛ 92	200	[illegible]	[illegible]	[illegible]	[illegible]	9.10
A/S Eksportfinans 7⅝ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	9.02
A/S Eksportfinans 7¼ 92	150	[illegible]	[illegible]	0	0	8.79
Austria 7⅛ 97	200	[illegible]	[illegible]	[illegible]	0	9.08
BP Capital 9⅛ 94	100	102	[illegible]	[illegible]	[illegible]	8.45
British Telecom 7⅞ 96	250	[illegible]	[illegible]	[illegible]	[illegible]	9.21
Campbell Soup 10½ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	9.31
Canada 9 96	1000	[illegible]	[illegible]	[illegible]	0	8.92
Canadian Pac. 10¼ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	9.59
CCCE 7⅛ 91	133	[illegible]	[illegible]	[illegible]	[illegible]	8.52
CNCA 7¼ 91	150	[illegible]	95	[illegible]	[illegible]	8.71
Citicorp 8¼ 93	200	[illegible]	[illegible]	[illegible]	[illegible]	9.61
Credit Lyonnais 9 91	200	[illegible]	[illegible]	0	0	8.64
Credit National 7⅞ 92	100	95	[illegible]	[illegible]	[illegible]	8.62
Credit National 9⅛ 93	150	[illegible]	[illegible]	[illegible]	[illegible]	8.61
Credit National 7¼ 91	150	[illegible]	[illegible]	[illegible]	0	8.50
Denmark Kingdom 7⅛ 92	500	[illegible]	[illegible]	[illegible]	[illegible]	8.99
Denmark Kingdom 8⅛ 91	300	96	[illegible]	[illegible]	[illegible]	8.79
EEC 7 91	100	[illegible]	[illegible]	[illegible]	[illegible]	8.65
EEC 8⅛ 95	100	[illegible]	[illegible]	0	[illegible]	9.07
EEC 7¼ 93	250	[illegible]	[illegible]	[illegible]	[illegible]	8.66
EIB 7⅞ 93	100	[illegible]	[illegible]	[illegible]	0	8.79
Finland 7⅞ 97	200	91	[illegible]	0	[illegible]	9.28
Finland 7½ 93	200	[illegible]	[illegible]	[illegible]	0	8.91
Ford Motor Cred. 10½ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	8.77
Ford Motor Cred. 11⅛ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	8.25
Gen. Elec. Cred. 10¼ 00	200	[illegible]	103	[illegible]	[illegible]	9.85
Hoesch 7⅞ 92	100	[illegible]	[illegible]	0	[illegible]	8.32
Hoesch 7⅞ 94	300	[illegible]	95	[illegible]	0	8.94
Hoesch 8¼ 97	100	[illegible]	[illegible]	[illegible]	0	9.05
Liberty Mutual 8½ 96	150	[illegible]	[illegible]	[illegible]	[illegible]	9.32
LTCB of Japan 8 91	100	[illegible]	[illegible]	[illegible]	0	8.47
LTCB of Japan 8 97	200	[illegible]	[illegible]	[illegible]	[illegible]	9.31
Mercds.-Benz Cred. 7⅛ 93	100	[illegible]	[illegible]	0	[illegible]	8.47
Mitsubishi Fin. 7⅞ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	9.25
Mutual America 7⅞ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	9.05
Norway Kingdom 7¼ 91	500	[illegible]	[illegible]	[illegible]	[illegible]	8.44
Pepsico Inc. 7⅞ 95	200	93	[illegible]	[illegible]	[illegible]	8.90
Qantas Airways 10⅜ 95	140	105	[illegible]	[illegible]	[illegible]	9.41
Queensland Govt. 10¼ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ralston Purina 11¼ 95	150	[illegible]	[illegible]	[illegible]	0	10.32
Saab Scania 9½ 91	125	[illegible]	102	[illegible]	[illegible]	8.87
Saskatchewan 10⅞ 92	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
State Bk. S. Aust. 9¼ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	9.14
Statoil 10 90	170	[illegible]	[illegible]	[illegible]	[illegible]	8.54
Swed. Exp. Cred. 7¼ 91	300	[illegible]	[illegible]	[illegible]	[illegible]	8.50
Swed. Exp. Cred. 10 92	100	[illegible]	[illegible]	[illegible]	[illegible]	8.56
Sweden 8⅛ 96	200	98	[illegible]	[illegible]	[illegible]	9.06
Sweden 7 92	250	[illegible]	[illegible]	[illegible]	0	8.45
Sweden Kingdom 10⅞ 90	200	[illegible]	[illegible]	[illegible]	[illegible]	8.17
Sweden Kingdom 7 91	250	[illegible]	[illegible]	[illegible]	[illegible]	8.35
Taiyo Finance 7⅛ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	9.32
Toyota Motor Cred. 8 89	100	100	[illegible]	[illegible]	[illegible]	7.84
Toyota Mtr. Cred. 7⅛ 92	150	[illegible]	94	[illegible]	[illegible]	8.94
Victorian Rep. 11⅜ 92	150	[illegible]	[illegible]	[illegible]	0	8.91
World Bank 7 92	300	[illegible]	95	[illegible]	[illegible]	8.42
Yasuda Tst. Fin. 8½ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	9.23

Average price change on day 0 on week [illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Arab Banking 5½ 92	150	[illegible]	[illegible]	[illegible]	[illegible]	6.13
Austrian Elec. Co. 6½ 95	150	[illegible]	[illegible]	[illegible]	[illegible]	6.39
BMW 5¾ 96	200	[illegible]	[illegible]	0	[illegible]	6.31
Daimler Benz Int. 5⅞ 01	500	[illegible]	91	[illegible]	[illegible]	6.81
Degussa Int. 6⅛ 97	200	[illegible]	[illegible]	[illegible]	[illegible]	6.61
Dow Chemical 6¾ 95	300	[illegible]	[illegible]	[illegible]	[illegible]	6.76
EIB 5½ 96	150	[illegible]	91	[illegible]	[illegible]	6.73
EIB 6⅛ 96	300	[illegible]	[illegible]	[illegible]	[illegible]	6.66
EIB 6⅞ 95	300	[illegible]	[illegible]	[illegible]	[illegible]	6.55
EIB 6 97	300	96	[illegible]	0	[illegible]	6.53
Euro. Coal & Steel 5⅞ 97	175	94	[illegible]	[illegible]	[illegible]	6.70
Eurofima 6¼ 96	100	[illegible]	[illegible]	[illegible]	[illegible]	6.29
Ex.-Im. Bk. Korea 7½ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	5.92
Finland Republic 7 92	200	[illegible]	[illegible]	[illegible]	[illegible]	5.57
Hoesch Intl. Fin. 7 95	100	[illegible]	[illegible]	[illegible]	[illegible]	6.61
Hydro Quebec 5½ 96	125	[illegible]	[illegible]	0	[illegible]	6.49
Hydro Quebec 6 16	150	[illegible]	[illegible]	[illegible]	[illegible]	7.47
IADB 6 97	200	[illegible]	[illegible]	[illegible]	[illegible]	6.69
IBJ 5⅝ 96	200	[illegible]	94	0	[illegible]	6.58
Japan Finance 5¾ 97	100	[illegible]	94	[illegible]	[illegible]	6.65
Julius Baer Bank 2 94	150	[illegible]	106	0	[illegible]	1.19
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Credit National 4⅞ 92	15	[illegible]	98	[illegible]	−1½	4.91
Denmark, Kingdom 5⅛ 92	130	[illegible]	100	[illegible]	−1	5.15
EIB 4⅞ 94	40	[illegible]	95	[illegible]	[illegible]	5.57
Elec. de France 5⅛ 94	20	[illegible]	98	[illegible]	[illegible]	5.53
Kansai Electric 4⅞ 94	60	[illegible]	[illegible]	[illegible]	[illegible]	5.64
Kingdom Belgium 4⅝ 94	45	[illegible]	95	[illegible]	[illegible]	5.56
Norway 4¾ 92	60	95	[illegible]	[illegible]	[illegible]	5.49
SNCF 4¾ 93	20	[illegible]	[illegible]	[illegible]	−1½	5.49
Sweden, Kingdom 5⅛ 95	20	[illegible]	100	[illegible]	[illegible]	5.66

Average price change on day [illegible] on week [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
A/B Electrolux 14⅛ 90 A$	50	[illegible]	[illegible]	0	[illegible]	13.07
Bergen Bank 15 90 A$	50	[illegible]	[illegible]	0	0	13.68
Creditanstalt 14⅛ 90 A$	60	[illegible]	[illegible]	0	[illegible]	13.33
DG Finance 14¾ 92 A$	50	[illegible]	[illegible]	0	[illegible]	12.54
Deutsche Bk. 14¼ 92 A$	100	[illegible]	[illegible]	0	[illegible]	[illegible]
Deutsche Bk. 14½ 92 A$	150	[illegible]	[illegible]	0	[illegible]	12.76
Helaba Fin. 13¾ 96 A$	75	[illegible]	[illegible]	0	[illegible]	13.17
World Bank 14⅛ 92 A$	100	[illegible]	104	0	[illegible]	13.00
Canadian Pac. 10¾ 90 C$	75	[illegible]	[illegible]	[illegible]	0	9.22
Chrysler Corpn. 10 91 C$	75	[illegible]	[illegible]	[illegible]	0	9.51
Genstar Fin. 11¾ 95 C$	75	[illegible]	[illegible]	[illegible]	[illegible]	11.06
GMAC 9¾ 92 C$	75	[illegible]	[illegible]	[illegible]	[illegible]	9.80
Royal Trustco 10⅛ 90 C$	75	101	[illegible]	[illegible]	[illegible]	9.83
Sears Acc. 10⅞ 92 C$	75	[illegible]	[illegible]	[illegible]	[illegible]	10.12
Coca-Cola F. C. 17 90 NZ$	75	[illegible]	[illegible]	[illegible]	[illegible]	15.97
Denmark 7¾ 92 Ecu	100	[illegible]	[illegible]	[illegible]	0	7.87
EIB 7¾ 91 Ecu	100	[illegible]	[illegible]	[illegible]	[illegible]	7.49
Euratom 7⅛ 97 Ecu	145	[illegible]	[illegible]	[illegible]	[illegible]	8.65
New Zealand 7¾ 93 Ecu	200	[illegible]	[illegible]	[illegible]	[illegible]	8.13
SDR 7¾ 95 Ecu	90	[illegible]	99	[illegible]	[illegible]	7.96
Finland 6 91 Fl	100	[illegible]	[illegible]	0	[illegible]	5.89
Mort. Bk. Denmark 6 91 Fl	150	[illegible]	99	0	[illegible]	6.32
Thyssen 7¼ 90 Fl	50	[illegible]	103	0	[illegible]	6.36
Wessanen 6¾ 90 Fl	50	[illegible]	[illegible]	[illegible]	[illegible]	5.99
American Brand 9½ 94 £	50	[illegible]	[illegible]	[illegible]	[illegible]	9.85
Amer. Express OC 10 94 £	40	[illegible]	[illegible]	[illegible]	[illegible]	9.87
Deutsche Bank 9¾ 97 £	75	[illegible]	[illegible]	[illegible]	[illegible]	9.72
GMAC 9 92 £	50	[illegible]	[illegible]	−2	[illegible]	10.29
Halifax Bld. Soc. 10⅜ 97 £	100	†100	101	−1	[illegible]	10.27
Imp. Chem. Inds. 10 03 £	100	—	—	—	—	—
Imp. Chem. Inds. 10¾ 92 £	75	[illegible]	[illegible]	0	[illegible]	9.77
Invst. in Inds. Int. 10 93 £	60	[illegible]	[illegible]	[illegible]	[illegible]	9.80
Land Securities 9½ 07 £	200	[illegible]	[illegible]	[illegible]	[illegible]	10.71
Leeds Bldg. Soc. 10⅛ 91 £	50	†101	102	[illegible]	−1	9.96
Nationwide BS 10¼ 93 £	75	[illegible]	100	[illegible]	[illegible]	10.22
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change on day [illegible] on week [illegible]

* No information available—previous day's price.

† Only one market maker supplied a price.

[illegible]

Poor start for $200m Sweden launch

By Clare Pearson

SWEDEN returned to the fixed interest Eurodollar bond market yesterday after a six-month absence with a five-year $200m deal led by Morgan Stanley International.

The issue traded at disappointing levels; it came on a difficult day when the US Treasury bond market weakened on fears about rising oil prices. But dealers said it should eventually prompt demand, especially from central banks, the investment criteria of which it suits, and which have been starved of five-year sovereign paper this year.

The 8½ per cent bond was priced at 101⅛ to give an initial yield margin over US Treasury bonds of 40 basis points. This was considered fair as it was in line with the trading levels of comparable bonds in the secondary market.

During the afternoon the bond was quoted at less 2.10 bid. This was outside its 1⅞ per cent fees but implied a slight narrowing in its yield differential, Morgan Stanley said.

An unusual £60m convertible for Lonrho, the UK-based conglomerate headed by Mr Tiny Rowland, provided the main talking point in the market.

The issue exceeded limitations on non-pre-emptive issues put forward by British insurance companies and pension funds earlier this year; if fully converted, it would cause a 5 per cent dilution of the company's issued share capital.

But Credit Suisse First Boston, the lead-manager, said that a large proportion of Lonrho's shares were held by

INTERNATIONAL BONDS

non-institutional investors and the company had obtained shareholders' approval for the full amount in March.

The structure of the issue also attracted attention. It was designed with a low coupon and low conversion premium to encourage early conversion into equity. But dealers said it would also provide an attractive switching oportunity for an existing shareholder.

The return on the bond was unusually low for this type of paper. It was only slightly higher than the net dividend yield on the shares. But the issue also included an investor's put option after five years, giving downside protection.

The 15-year bond carries a 4½ per cent coupon and is convertible into Lonrho shares at a premium of 6.1 per cent. It may be put after five years at a price to give a yield of 8.51 per cent, about 1 per cent below the yield on the comparable gilt.

Amid strong demand, the bond traded well over its par issue price at around 105½. Lonrho's shares closed at 295p, down 4p on the day.

Credit Suisse First Boston also led yesterday an A$75m five-year bond for Australia and New Zealand Banking Group, the first ever equity linked bond in the Australian dollar sector.

The 13 per cent issue, priced at 111, carries warrants exercisable into ANZ's shares at A$4.71, a 10 per cent premium over the close. The issue traded at slightly above its issue price.

Eurodollar bond prices closed as much as ¼ point lower.

Nomura International launched a $70m five-year deal for Seiyu, the Japanese retailer, guaranteed by Dai-Ichi Kangyo Bank. The 9¼ per cent bond was priced at 101½, and traded at around less 2 bid, against 1⅞ per cent fees.

In Switzerland, prices of fixed rate bonds closed narrowly mixed in fair turnover while most equity linked issues were easier.

S. G. Warburg Soditic said it was withdrawing a five-year bond for Mesa, Mr T. Boone Pickens's master company, which was relaunched last week having been cancelled in April. The company was understood to have withdrawn the bond for the second time because the amount which Soditic had managed to arrange underwrite was too small to make it worthwhile. This was believed to be around SFr 100m, which compared with a maximum SFr 200m.

Banca della Svizzera Italiana priced a recent SFr 100m five-year equity warrants bond for Nankai Electric Railway. The coupon was set at 1 per cent. ½ per cent below its indicated level. The bond was quoted at around less 3½ in the grey market.

In the D-Mark market, prices rose during the morning but closed unchanged in small turnover, after the dollar firmed in the wake of US consumer price figures.

The Bundesbank announced details of a new 28-day repurchase agreement of DM 12.8bn, while the amount expiring was DM 8.1bn.

A weaker yen has dented market confidence. **Ian Rodger** reports

Cash mountain builds up in Japan

A CASH mountain is building up in Japan because investors have turned sour on the weakening domestic bond and stock markets.

Liquid funds in Japan's *Tokkin* specified money trusts, fund trusts and investment trusts have risen by more than a third since March to Y11,000bn ($72bn) and analysts estimate that the average fund now has 40 to 50 per cent of its assets in short-term money instruments.

Opinions are sharply divided about how and when this huge build-up of liquidity will be deployed. Some analysts foresee an early stabilisation of the bond market and a rally of the stock market in the autumn, based on expectations of a recovery in corporate earnings.

Others believe that the recent tendency of portfolio managers to direct more funds abroad will accelerate, at least until a recovery in the Japanese economy leads industrial companies to withdraw money from their *Tokkin* funds and put it into rebuilding stocks and, ultimately, new plant.

The net outflow of investment funds from Japan has accelerated sharply in the past two months, since the US dollar began to strengthen against the yen. It has been directed especially into US bonds and equities. Japanese net purchases of US securities are estimated to have reached between $7bn and $8bn in June—three times the level of May. In the first two weeks of July, they rose to $5bn, according to a Bank of Japan official.

Meanwhile, the Nikkei average of leading Tokyo Stock Exchange issues has tumbled by more than 12 per cent since hitting its all-time peak of 25,929.43 on June 17, and the price of the benchmark 89th series government bond has fallen from 116.6 in mid-June to 102.06 yesterday.

There is now a wide consensus in Kabuto-cho, Tokyo's financial district, that the forces that have driven both the strong bond and stock markets in the past two years are spent.

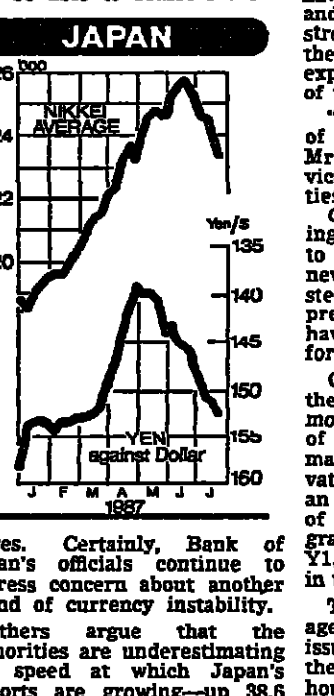
The main force, paradoxically, was the rising value of the yen. Although it was causing considerable damage to Japanese industrial companies, it was also producing the so-called three merits—declining inflation, declining oil prices and declining interest rates. These trends, in turn, contributed significantly to the formation of funds for investment and favoured the stock market as an outlet for these funds.

Now that the yen has begun to weaken, these trends are being reversed. Interest rates and oil prices are rising, and there are fears that the country's high money supply growth rate, which has so far caused inflation only of share and land prices, will soon cause price increases elsewhere.

On the other hand, Tokyo analysts point out that money supply growth (M2 plus certificates of deposits were up 10 per cent in June) will probably ease substantially now that the Bank of Japan is no longer buying large amounts of dollars in the foreign exchange markets.

Analysts are sharply divided on the outlook for the yen. Some predict that the current account surplus will not fall quickly enough to please the US authorities; the yen will soon resume its rising trend, and so the old three merits will be able to reassert them-

JAPAN



selves. Certainly, Bank of Japan's officials continue to express concern about another round of currency instability.

Others argue that the authorities are underestimating the speed at which Japan's imports are growing—up 38.6 per cent in June, excluding oil and gold. They say that the current account surplus will decline more quickly than expected and so the yen will remain relatively weak. That means the stock market will need a new stimulus if it is to recover in the near future.

The most popular candidate to provide the new stimulus is an old-fashioned earnings recovery. Many Japanese companies are indicating that they have adjusted to the higher yen and that, based in part on a strengthening domestic market, they will make better than expected profits in the first half of this fiscal year.

"I think there will be a lot of good news from companies," Mr Yasuo Kanzaki, executive vice president of Nikko Securities, said yesterday.

Others doubt that the earnings recovery will be enough to lead the stock market into new growth. Mr David Gerstenhaber of Morgan Stanley predicted: "We are unlikely to have a major rally for the foreseeable future."

One clue to the direction of the market in the next few months is the heavy schedule of new issues in the stock market. This includes a privatisation sale of shares worth an estimated Y5,000bn ($33bn) of Nippon Telephone and Telegraph in October, and about Y1,200bn worth of bank issues in the next few weeks.

There is certainly no shortage of liquidity for these issues, but the authorities and the powerful leading securities houses will not want to see the NTT shares launched into a lifeless market.

"It would be awfully convenient if the market continued dull for a couple of months and then rose when NTT comes." one analyst said yesterday.

New Zealand registers eight new banks

BY DAI HAYWARD IN WELLINGTON

EIGHT NEW banking institutions have been registered by the Reserve Bank to set up operations in New Zealand.

They are Barclays New Zealand (UK-owned); NZI Financial Corporation of New Zealand; Citibank of the US; Hongkong and Shanghai Banking Corporation; Macquarie Bank (Australian - owned); Broadbank, a local subsidiary of National Australia Bank; Indosuez of France; and CIBC New Zealand (Canadian-owned).

The banks join the four existing trading banks with permission to operate as full banks in New Zealand.

Mr Spencer Russell, governor of the Reserve Bank, said the newly - registered institutions would bring welcome competition and experience to New Zealand.

One other application, believed to be from Main Corporation of New Zealand, is still under consideration. The local trustee banks and building societies, which have also expressed interest, cannot become full banks until the Government changes the regulations covering their operations.

The four existing trading banks are joint owners of Databank, a sophisticated trading operation. The New Zealand Bankers' Association has said it will open its clearing house system to any bank wishing to join.

At least two of the new banks have indicated they will operate in the retail banking area. The front runner in this sector is Broadbank, which already has a network of branches and a wide retail customer base.

There is no limit to the number of new financial institutions, either local or foreign-owned, which will be allowed to operate in New Zealand, provided they meet the criteria set down.

To receive Reserve Bank registration an institution must have a minimum of NZ$30m (US$18m) in authorised capital, of which NZ$15m is paid up. It must also be able to show that it has a substantial deposit-lending function and considerable banking expertise.

Under the more liberal financial climate established by the Labour Government, non-banking institutions could carry out most of the services provided by a bank with the exception of a cheque-issuing service.

Mr Roger Douglas, the Finance Minister, has already warned those institutions wishing to operate in New Zealand that they will be on their own with no safety net provided by the Government if they get into financial difficulties.

UK COMPANY NEWS

David Waller on Tyndall's offer for Clayton Robard

The attractions of Australia

MR GARNET HARRISON first visited Australia in 1981. What impresed him as much as the beaches and the absence of a winter, was the immaturity of the personal investment market in the Antipodes.

"It was like getting out of a time machine," he recalls, "the whole industry just didn't exist."

Unit trusts were largely limited to investments in cash and property. The concept of unit-linked lifeinsurance policies had not taken hold of the saver's imagination. Saturday newspapers were not crammed with advertisements for such products.

After his fortnight's visit, Mr Harrison determined to return.

Six months later, he did so, and over the next four years, helped to build up the financial services group now known as Clayton Robard. Earlier this week it indicated its willingness to be taken over for A$481m (£215m) by Tyndall Holdings, the smaller UK company where Harrision has been managing director since last Autumn.

On the day that the Argentine invaded the Falklands in April 1982, Mr Harrison succeeded in persuading Mr Christopher Spence of English Trust, the London merchant bank, to provide the finance necessary to launch an attack on Australia's virgin financial markets: UK institutions financed the acquisition of Keywest, a quoted cash shell.

Mr Harrison's first veiture was to acquire control of Murrumbidgee Holdings, an obscure dairy company. Its shares could only be traded at the company's head oce in Wogga Wogga, New South Wales, and were "fundamentally undervalued," according to Mr Harrison. The deal injected $A2.8m cash into Keywest's balance sheet.

Garnet Harrison, managing director, Tyndall Holdings

The move beyond elementary investment banking came in August 1983 with the acquisition of 75 per cent of Clayton Robard Management for A$3.75m. At the time of acquisition, the three partners managed funds worth A$80m.

"The market was beginning to explode," Mr Harrison says, "within a month funds totalled $100m."

At the end of June this year, funds under Clayton Robard's management fell slightly short of A$1.8bn. Brokers estimate that its profits for the end of June will exceed A$20m—and are likely to be A$30m in the current year.

Over the past three months, sales of new life-related products have averaged A$60m a month. And over the past four years the mushrooming of the sector has attracted numerous foreign investment management companies to Australia. These include GT, Hambro, Fidelity, and Banker's Trust, to name but a few. Mr Harrison believes that the sector is growing at the rate of A$5bn a year, stimulated, not impeded, by increased competition.

He attributes the boom to the transfer of wealth from the first postwar generation to the next, and to a young society's tendency to diversify the nature of its assets, from land and private companies to more liquid equity portfolios. Furthermore, the Australian government has relaxed exchange controls.

Clayton Robard now sells about 20 "products," as opposed to a mere three when absorbed by Keywest. It also has three captive investment companies (the equivalent of UK quoted investment trusts) used by the in-house life assurance company, Associated National Life. These allow Antipodeans to invest in an international growth fund; a special situation fund, and a smaller companies fund.

From London, Clayton Robard also manages the Australia Investment Trust, which gives UK investors access to the Australian stockmarket. Once the tortuous process of acquisition is completed, at the earliest towards the end of September, Mr Harrison intends to develop both sides of the business: investment in Australia from overseas, and investment overseas from Australia.

Tyndall had funds under management of £360m at the end of June. Furthermore, it provides on-shore and off-shore banking and trust facilities. Mr Harrison believes these activities will complement those of Clayton Robard. The long-term aim is to create an international financial services company concentrated on the needs of the individual, and weighted towards the Pacific basin.

Clayton Robard, as it is today, emerged last year out of a series of tangled inter-company shareholdings. Keywest merged with Koitaki, the former plantations company of the prominent Darling family.

In 1984 the two companies acquired 50 per cent each of ANL, Australia's eighth largest life company, but the situation was complicated by Koitaki's 30 per cent holding in Keywest. Following the merger, the Darling family ended up with 40 per cent of Clayton Robard — which in April this year they decided to sell.

It is this factor which has made Tyndall's bid possible.

Although "welcomed" by Clayton's management, Australian takeover rules prohibit a bidder acquiring more than a fifth of its target other than as a result of the offer. This means that a counter-offer cannot be ruled out.

Mr Harrison says there is a 40 per cent chance of this happening, so the bid could degenerate into a prolonged squabble.

Bard claims victory in Jarvis bid battle

By Philip Coggan

MR HARVEY BARD, the London property investor, yesterday claimed a surprise victory in his battle to win control of building company J. Jarvis. PK English Trust, his financial adviser, yesterterday announced the offer was unconditional after acceptances carried his holding to 58.3 per cent.

It is unusual for a bidder to win success by the first closing date and Mr David Beety, J. Jarvis' chairman, said he was "puzzled" by the announcement, especially as Mr Bard's 750p per share cash offer, via Brookville Securities, was still below the 805p market price.

Mr Beety was brought into the company in 1985 after discreet behind-the-scenes lobbying by institutional investors who were concerned about the group's plunge into loss that year. Earlier this month, Jarvis announced a jump in pre-tax profits to £723,000 in the year to March 31 1987 and the group obviously hoped its improved performance would help it defeat Mr Bard's bid.

Mr Bard attempted to join the Jarvis board last October but shareholders then voted against his appointment. Since then, Mr Bard increased his stake to 32.76 per cent thereby triggering the provisions of the Takeover Code, requiring him to make a full bid.

The Panel required Brookville to reduce its stake to 29.99 per cent but acceptances of 28.31 per cent have enabled it to go unconditional.

Hillsdown turns to housebuilding with £40m acquisitions

BY NIKKI TAIT

Hillsdown Holdings, the acquisitive food and furniture group, is expanding in yet another direction—this time with the proposed acquisition of Fairview New Homes, a London-based housebuilder split off five years ago from the then-Fairview Estates group. In total, the deal is worth just under £40m.

Hillsdown already has substantial property interests—the division made operating profits of £5m on sales of £21.2m in 1986 — and a residential refurbishment programme is underway involving Nash terraces around London's Regents Park.

Yesterday, Mr Harry Solomon, Hillsdown chairman, said that the addition of a housebuilding arm would also help the group get maximum potential from land which has come into the company as a result of acquisitions, and complement its sizable timber interests. The deal comes just two weeks after Hillsdown agreed to purchase Canadian agri-products group Maple Leaf Mills for £169m cash.

The company is proposing to buy 94 per cent of Fairview for £25.5m—with an option agreement over the remainder—and to repay its debts, which total £14m. The deal is being financed by a vendor placing of 6.5m shares; the vendors are retaining a further 2m Hillsdown shares; and an additional 4.85m shares are being placed by Hillsdown's joint brokers, Hoare Govett and Warburg Securities, to finance the debt repayment. The placing price on the 11.36m shares is 300p.

Fairview New Homes was created in 1982 when Fairview Estates split its interests into commercial property development and investment—now the quoted Frogmore Estates group —and housebuilding. A partnership, mainly Fairview directors who had been responsible for the housebuilding side, was formed to manage a four-year development programme on the housebuilding side—sharing in profits from that work.

However, links with Frogmore are now severed and the independent Fairview is estimating pre-tax profits in exce... of £7.5m for the year to end-June.

The company currently has a land bank comprising 2,500-plus plots and some 20 sites under development.

Hillsdown's move into housebuilding comes at a time when Mr David Thompson, its co-founder and former joint chairman, has been particularly active on the property front in a private capacity — taking a controlling interest in Glentree Estates, the estate agents, and buying a 29 per cent interest in Marler Estates.

However, Mr Solomon said yesterday that this was "purely coincidental." Mr Thompson halved his stake in Hillsdown to 15 per cent in April and is now a non-executive director at Hillsdown.

Hillsdown shares shed 2p to 805p yesterday.

Ealing Electro in bid talks

By Philip Coggan

Ealing Electro-Optics, the USM-quoted optical equipment manufacturer, is one step closer to finding a new owner. Its board announced yesterday that it was in talks with an unnamed party which may or may not lead to an offer for the company.

The potential bidder was introduced by Sleipner UK, a financial services company whose ultimate holding company is the Norweigian group Nevi. Sleipner, which holds a 40.5 per cent in EEO, has undertaken to find a bidder, or to bid itself, for the company before September 30.

Sleipner acquired the stake from EEO's one-time parent company, Ealing Corporation as security for a finance programme. The Takeover Panel execpted it from making a full bid from EEO until July 1 and extended the deadline when Sleipner agreed to find a bidder for at least 150p per share.

Ward White

WARD WHITE has commenced a public offering of 886,902 American Depositary Shares at $19.87 per share. In addition to this initial offering, which is managed by Shearson Lehman, Ward White will make available a further 125,535 ADS's to the underwriters to facilitate the management of the issue. If the further 125,535 ADS's are taken up, the maximum size of the offer will be 2,557,311 new ordinary shares, representing 2½ per cent of the companies issued ordinary share capital.

Belhaven switches banks

BY CLAY HARRIS

Belhaven Group yesterday switched merchant banks, dropping Henry Ansbacher, the financial adviser which played a key role in Mr Raymond Miquel's gaining control and subsequent expansion of the Scottish-based brewing and restaurant company.

Belhaven appointed Barclays de Zoete Wedd as its merchant bank, consolidating its financial advice within the Barclays group. De Zoete & Bevan continues as Belhaven's sole stockbroker.

Mr Miquel said that Belhaven was looking for a group with greater financial resources to back Belhaven's expansion plans. Another factor, however, was changes in the bank's corporate finance department, especially the resignation of Lord Spens, managing director, as a result of the Guinness affair.

Lord Spens helped to organise Ansbacher's unsuccessful defence of the Arthur Bell whisky group, of which Mr Miquel was chairman, against a takeover bid from Guinness in 1985.

Ansbacher put together the 27.25 per cent stake which enabled Mr Miquel to take over as chairman and chief executive

Finlay talks with Elders

BY MIKE SMITH

James Finlay, the tea planter and international trader, is in talks—which could lead to the sale of S. H. Lock, its troubled finance house subsidiary—with Elders IXL, the Australian brewing and pastoral group.

The discussions follow what Finlay described in its annual report as a disastrous 1986 for Lock. The main factors were foreign exchange losses in Australia, where most of its business is based, and a major bad debt in the UK.

Lock's losses of about £3m in 1986 helped depress Finlay's pre-tax profits to £5.78m from 1985's £8.29m.

Analysts said it made good sense for Finlay to sell Lock. One said the subsidiary had become rather accident-prone, and compared unfavourably with the rest of Finlay's financial services division.

Elders last month unveiled a reshuffle of its finance arm. It claims to be Australia's largest non-bank financial institution.

No-one at Elders was available for comment last night, but Finlay said Elders had made the initial approach.

Owen Oyston buys 5% of Capital Radio

By Mike Smith

Mr Owen Oyston, the socialist millionaire, yesterday disclosed a 5 per cent stake in Capital Radio, the London commercial station.

Mr Oyston, a Lancashire businessman who made £30m from a chain of estate agencies in the north-west of England, already has extensive interests in the media.

In recent months he has been involved in putting together a rescue package for News on Sunday, the left of centre tabloid newspaper in which he has a substantial shareholding. He is chairman of Red Nose Radio, the controller of stations in Preston, Leeds and Cardiff which plans to join the Unlisted Securities Market year, and is also involved in cable television.

Mr Nigel Walmsley, Capital's managing director, said he welcomed Mr Oyston as a shareholder. "I am delighted to see someone who knows so much about the industry taking a stake," he said.

Under Capital's articles of association, drawn up under th guidance of the Independent Broadcasting Authority, no new shareholder is allowed to take a stake of more than 10 per cent in the company. Anyone who did so would be required to divest.

Shares in Capital fell 1p to 175p. At that price Mr Oyston's 839,000 shares are worth £1.47m.

FKI shares slide

A sharp fall in the FKI Electricals share price yesterday dragged the value of its share offer for Babcock International well below the cash terms. The two companies unveiled an agreed merger on Tuesday.

FKI shares lost 15½p to 172½p, a slide of more than 8 per cent, compared with yesterday's 2 per cent decline in the FT-SE 100.

This values Babcock shares at 293.3p, against the market price yesterday of 311p, down 1p. There is an underwritten cash alternative of 310p. The share offer values Babcock at £393m, the cash at £415m.

N. M. Rothschild, FKI's merchant bank, held back from heavy support for the share price, despite its commitment on Tuesday when the merger was announced. The bank said it would be "madness" to throw resources in support of the shares when the broad market was also falling heavily.

Sunleigh reduces its stake in Dale

Sunleigh Electronics, the small holding company where FKI has one quarter of the shares, has cut its stake in its former bid target, Dale Electric, from around 8.5 per cent to 6.7 per cent. Sunleigh's £16.8m offer for Dale lapsed last month.

"We are planning to dispose of the stake as conditions allow," says Mr Tony Merryweather, chairman of Sunleigh.

Since the failure of the Dale bid, Sunleigh has made a number of smaller acquisitions—most recently, Powa Kaddy International, a private company which designs, manufactures and distributes battery-powered golf trolleys.

Lighting and alarms lift Menvier-Swain to £2m

A 31 per cent rise in contributions from its emergency lighting and fire alarms activities helped Menvier-Swain Group to lift pre-tax profits from £1.64m to £2.1m in the year to April 30 1987—its first full year since coming to the USM. Turnover moved ahead from £12.03m to £15.61m.

Directors of this emergency lighting manufacturer proposed a final dividend of 2.2p (1.7p), making a total for the year 3.2p (2.1p). Earnings per 5p ordinary share rose from 9.9p to 12p.

Mr Charles Swain, chairman, reported that the group would continue its commitment towards a policy of investment for the future by way of research and development, with some £200,000 being charged against this year's profits. The coming year would benefit from the introduction of new products now nearing completion of their development cycles.

He said that he was confident that the company's growth would continue at an encouraging rate in 1987.

Emergency lighting and fire alarms made profits of £1.84m (£1.4m) before tax and exceptional items; thick film products chipped in with £96,000 (£84,000); and electrical and mechanical contracting and other services added a further £184,000 (£148,000).

● **comment**

Menvier's main growth in an encouraging set of figures came from its core business of emergency lighting where it claims a 31 per cent share in a market whose growth has accelerated from an annual 8 to 12 per cent. It is also making headway with its fire alarms and central battery systems where its share is growing faster than the market. Its new US operations registered a first time loss but should break even next time, and the group is looking for further acquisitions in related areas which will make use of its existing distribution network to increase its penetration of the US market. At home it is considering a move into electric or electronic products; a healthy balance sheet gives it the option of funding smaller acquisitions with cash. The company's growth trend of the last ten years looks set to continue, buoyed by the upturn in construction. And on that basis the market is expecting £2.6m, which on the closing price of 248p produces a prospective p/e of around 16; at a slight but fully deserved premium to the market.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Allied Textile ......int	3.4	—	3	—	8
Bespak	2.75	Oct 7	2.5	4.5	4.25
Brasway	0.85	—	0.63*	1.85	1.13*
Fledgling Japan ...int	1	Aug 6	1	—	—
Jersey Elec ....int	‖7	—	5	—	20
Menvier-Swain	2.2‡	—	1.7	3.2	2.1
Multitone Elec	*0.1*	—	*0.1*	*0.1*	0.1
Splash Products ...int	†1.1	Aug 28	—	—	2.2
Vantage Secs ......int	0.6	—	0.5	—	1.9

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market. ‖ Gross.

Staverley Industries

Staverley Industries' chairman told shareholders at yesterday's annual general meeting that it was too early in the trading year to be sure about the year as a whole. Significant external influences and exchange rates would impact the company and these were not too easy to forecast with certainty. All he could say at this stage was that the company continued to progress and subject to no unexpected setbacks they anticipated another record year.

Valor name change

At yesterday's annual general meeting of Valor shareholders approved a change of name to Yale Valor following the $480m American acquisition programme by the company. Trading at Yale and Nutone was said to be buoyant while in Britain Valor trading continued to be good.

Dawson Intl

DAWSON INTERNATIONAL's chairman told shareholders at yesterday's annual general meeting that in addition to all existing businesses growing, the company was also examining several potential acquisitions. Trading in the first quarter of this year had been ahead of last year, order levels were higher and provided retail sales in major world markets remained buoyant, the increased tempo would be sustained.

BOARD MEETINGS

TODAY

Interims: Aaronson Brothers, Abbey Panels Investments, Darby Trust, Edinburgh American Asset Trust, Elandsrand Gold Mining, First Leisure, Free State Consolidated Gold Mines, Green Property, Johnstone Paints, Midland Bank, Romney Trust, South African Land and Exploration, Southvaal, Van Reefs Exploration and Mining, Western Deep Levels.

Finals: BTS, Bertam, Black Arrow, Boscombe Property, British Bloodstock Agency, CAP Group, Dee Corporation, Elbief, Great Universal Stores, Stanley Leisure, F. H. Tomkins.

UK COMPANY NEWS

Allied Textile up 17% and plans acquisition

BY ALICE RAWSTHORN

Allied Textile Companies yesterday unveiled a 16.6 per cent rise in pre-tax profits to £3.62m on turnover which rose by 5 per cent to £29.45m in the first half of the year.

The group, which has staged a series of acquisitions in recent years, also announced that it intends to expand its speciality textile interests with an acquisition which should be completed within the next few weeks. Allied then plans to accelerate its expansion programme, according to Mr Russell Smith, chairman, by buying more niche textile businesses.

In the 1980s Allied has been transformed from a traditional Yorkshire wool business into a company dominated by its interests in speciality textiles, such as fabrics for use in the defence and automotive industries.

Traditionally Allied, which holds a substantial cash pile of about £25m, has derived a high proportion of its profits from investment rather than trading activity. But Mr Russell Smith said that almost all the improvement in interim profits came froe the group's textile interests.

Earlier this year Allied acquired Bulmer & Lumb, a Bradford-based spinning and dyeing company. It is in the midst of integrating this business and is awaiting the delivery of new equipment, scheduled to arrive at the end of the year. Mr Russell Smith said that Bulmer already bears the benefits of Allied's management but that the full fruits of the acquisition will filter through over the next two years.

Allied has not included a contribution from Bulmer in these interim results, but it will be included for the full year. Since the year-end Allied has sold its investment in British Furtex, which is involved with the manufacture of pile fabric.

In the six months to March 31, Allied's earnings per share rose to 10.52p (8.84p). The board proposes to pay an interim dividend of 3.4p (3p).

Mr Russell Smith described the outlook for the full year as "very promising."

● comment

In the early 1980s when the textile industry was shrouded with gloom, Allied staved off the rigours of recession by jettisoning its traditional textile interests in favour of value added niche businesses. In the late 1980s, when the climate is more clement, it shows no sign of changing. The remnants of its traditional interests should remain intact. But, as the British Furtex disposal proves, Allied is as ruthless as ever at weeding out poor performers. The integration of Bulmer has been rather slower than expected. Its improvement to date has prompted analysts to increase their profit projections for the year to £9m. Yet the progress of the share price will depend on the pace of acquisitions. If Allied is as active as it promises, the prospective p/e of 14.5, on yesterday's share price of 382p, seems undemanding. And it may even succeed in eroding its infamous cash mountain.

Financial Dynamics sought by Broad St.

BY TERRY POVEY

Broad Street Associates, the USM-quoted public relations company, is close to agreeing to pay up to £5.4m to acquire Financial Dynamics, another City PR company launched less than a year ago.

The takeover is the latest in a round of break-ups, new company formations and takeovers that have plagued the public relations field, and many believe may even be endemic to this low entry cost, people business.

Broad Street is well known for its hard-hitting role in some of the City's major takeover dramas, ranking second in terms of value of bids fought in 1986.

The company has been searching around for suitable takeover targets for some time. Among others, approaches have been made to Grandfield Rork Collins Financial with a view to backing its buy-out from Saatchi & Saatchi.

Coming to the market in August 1986, through a reverse takeover of listed shell Stanelco, Board Street's shares were initially placed at 43p each. In the year to October, it reported pre-tax profits of £990,000 (£226,000) on turnover of 7m (£4m).

Five days ago, Broad Street's board issued a statement saying that it was unaware of the reasons for the current sharp increase in its share price—which closed at 89p last night.

Financial Dynamics was set up in October under the wing of Grayling, the advertising group, by two ex-Addison Consultancy executives, Mr Charles Piggott and Mr Justin Downes.

Most of its 12 staff are former employees of Addison's financial public relations arm, Streets Financial Strategy. Mr Piggott died in a car crash in December.

More recently, Financial Dynamics broke away from Grayling and took on Mr Tony Knox, another Addison veteran, as chairman. Mr Knox and Mr Brian Basham, managing director of Broad Street, began their PR careers together, working for John Addey Associates.

The deal with Broad Street is believed to involve a long earn-out period for Financial Dynamics with the consideration, mainly to be paid in shares, dependent on pre-tax profit targets spread over a 4½ year period.

For 1987-88, Financial Dynamics fee income from its 60 existing clients should be around £900,000 — suggesting pre-tax profits of the order of £250,000.

Mr Downes commented last night that both companies were "culturally similar," and that he welcomed "the security and greater resources" that being part of Broad Street offered.

Bespak profits more than doubled at £1.97m

Bespak, which manufactures and sells specialised aerosol valve systems, continued its recovery with pre-tax profits more than doubled from £808,000 to £1.97m against expectations of around £1.6m.

Mr Robert King, chairman, said that there was some exceptional demand after Christmas, but even allowing for that, the underlying trend was upward and most significantly, the customer base was growing.

The sale of valves to Glaxo was higher than expected and would not necessarily continue at the same rate but the company was assured of a continued good demand level.

After tax of £642,000 (£203,000) net attributable profits came out at £ 1.32m (£605,000) for earnings per share of 9.9p (4.5p). There were no extraordinary charges this time (£369,000).

The final dividend has been increased from 2.5p to 2.75p making a total of 4.5p (4.25p).

● comment

Bespak took a nasty knock two years ago when its heavy dependence on Glaxo finally came home to roost, so the news that sales to the pharmaceutical giant were ahead and still represent over 50 per cent of turnover is something of a mixed blessing for the pharmaceutical valve manufacturer.

Nevertheless, these figures were well ahead of most people's forecasts and the shares battled bravely against the market's general gloom to finish 9p higher at 210p. The management is gradually diversifying to other customers and other product lines and after the rationalisation, a large percentage of any increase in turnover will go through to the bottom line. This year, pre-tax profits could reach £2.7m, the highest since flotation but the prospective p/e at 15 looks high enough, given that the "Glaxo factor" is still a long term risk.

Goodman doubles size with GMG acquisition

BY NIKKI TAIT

Goodman Brothers, the small loss-making clothing group, is to double its size via the acquisition of GMG, a privately-owned retail group which takes in 20 Benetton shops. It will also raise just over £1m to strengthen the group and fund new trading ventures.

Under the deal, Mr Gerry Goodman, his son, Paul and Mr Harold Goodman will join Goodman Brothers as non-executive chairman, director and finance director respectively, and Mr Gerry Goodman — plus his family interests — end up with a 31 per cent stake in the company. The Goodman father and son are unrelated to Goodman Brothers; Mr Harold Goodman has no family connection with either.

The deal follows a substantial reorganisation of Goodman Brothers itself in the wake of the arrival of accountant Mr David Bernstein—originally a consultant but now non-executive chairman—in 1985.

Goodman has now pulled out of maunfacturing, and yesterday unveiled a reduced pre-tax loss in the year to end-April of £43,000 against £234,000 on sales cut from £9.97m to £5.29m. Unlike the previous year, there are no extraordinary write-offs.

In the current year, Goodman says that it has been hit by "the appalling weather" but adds that a strengthened sales team and additional customers have been some compensation.

GMG, by contrast, has shown steady growth since its formation in 1983, making pre-tax profits of £311,000 in 1986 on sales of £6.4m. Mr Goodman, who is based in Jersey, formed that company after building up a DIY group—which he sold to GUS in 1968 and a Malta-based sink manufacturing business which went to Lonrho in 1976.

GMG is one of the largest Benetton retailers in the UK, with sales topping £6m. It has no formal franchising arrangements with Benetton, but sells the stock through 20 stores, primarily in the south and south-east.

Yesterday, Mr Goodman suggested that the company could expect to add two or three stores a year. GMG also takes in a small chain of shoe shops, which trade as The Tube and sell designer products, and has the UK rights to Tommy Hilfiger, a New York-based designer. The first store here is scheduled to open in September.

Goodman is paying for AMG via the issue of 9m new shares, doubling its existing issued capital. The company then plans to have a one-for-six rights issue at 42.5p, to create a company with net assets of £3.1m compared with £1.39m in April. Existing directors—who remain on the board—will take up 55 per cent of their rights entitlement.

Goodman Brothers shares were suspended at 63p in early June, capitalising the company at £6.2m.

London United purchase

BY NICK BUNKER

London United Investments, the specialist insurance group, has conditionally agreed to buy for £9m El Paso Insurance, one of the non-life companies which has business managed by London United subsidiary, H. S. Weavers, an underwriting agency.

El Paso and its Bermuda-based subsidiary, Desert Insurance, have a 6.5 per cent share of the business written by Weavers, which specialises in US casualty risks. London United said El Paso's activities closely mirror those of London United's own subsidiary, Walbrook Insurance.

London United said that the acquisition would enable El Paso to benefit from market conditions, in which premium rates are still rising, while maintaining the quality of its business.

El Paso made pre-tax profits of £1.13m in 1986, and had capital and reserves of £10.1m. London United said it was paying a consideration of £9m to El Paso's current owner, ACR Holdings. The consideration will be satisfied by the issue of 1,169,832 new shares which have been conditionally placed with investors by Cazenove, the stockbroker.

British Benzol changes name

British Benzol shares yesterday rose 8p to close at 144p—defying the slump in the market—following its annual general meeting at which its name was changed to Powerscreen International.

The new name reflects the change in its basic business following a reverse takeover last year by Powerscreen, the mobile screening equipment manufacturer and supplier.

Mr Patrick Dougan, chairman, told shareholders that the old fuel-related business of British Benzol would continue to be phased out and he spoke bullishly about the prospects for the mobile screening equipment business. Acquisitions would be aimed at companies offering products that could slot into the company's extensive international distribution network.

Powerscreen International will seek a relisting as an engineering company.

Courtaulds lace expansion

BY ALICE RAWSTHORN

Courtaulds, the textiles and chemicals group, is augmenting its interests in the lace industry by acquiring three lace manufacturers—one in France and two in the UK—for £8m.

Yesterday Courtaulds announced the acquisition of a controlling interest in DLR Textiles—which trades as Desseilles—one of the largest manufacturers of apparel lace in France. In recent years Desseilles has expanded its international interests and has established joint ventures in Japan, Spain and the US. Exports now represent half its annual sales of £22m.

Once the acquisition is completed, Desseilles will continue to be run by its present management team. Mr Martin Taylor, managing director of Courtaulds Textiles, said that the group intends to continue investment in new equipment for Desseilles and in extending its international network.

In the UK, Courtaulds is in the throes of discussions to gain full control of Long Eaton Fabric, a knitting and lace business in which it already holds a controlling interest. It is also negotiating for LEF to acquire Laces and Textiles, the second largest manufacturer of apparel lace in the country.

Both acquisitions should be concluded within a month or so. Courtaulds will then command about 20 per cent of UK apparel lace production.

Courtaulds' expansion within the lace industry follows the arrival of several large textile groups in a sector which has traditionally been the preserve of a few long-established family firms.

The John Crowther Group bought the assets of the apparel lace business owned by E & A Richards, a subsidiary of Stormguard, the holding company, earlier this year. While two weeks ago Debfor Holdings acquired the Birkin Group, one of the UK's largest manufacturers of apparel lace.

Philip Coggan on Delta Group's revival

Mr Wilson's healing touch

WHEN Mr Geoffrey Wilson took over as chief executive of Delta Group in 1981, it seemed a classic example of an ailing British engineering company. Pre-tax profits had dropped from £30.4m to £19.1m between 1979 and 1980 and interest charges of £17m represented a gearing level of about 60 per cent.

Now after years of treatment from Mr Wilson, who is the son of the late Lord Moran, Winston Churchill's physician, Delta feels healthy enough to attempt a contested acquisition—the current £70m bid for electrical engineering group George H. Scholes.

Delta followed up the bid with Monday's £20m acquisition of the European subsidiaries of Nibco, the US plumbing fittings manufacturer. The Nibco businesses are designed to strengthen Delta's fluid-controls division.

The group has been attempting for years to shed its image as a metal basher—it was known as Delta Metals until 1981—and its electrical equipment sector, into which George H. Scholes would be absorbed, has gradually replaced the metals division in importance.

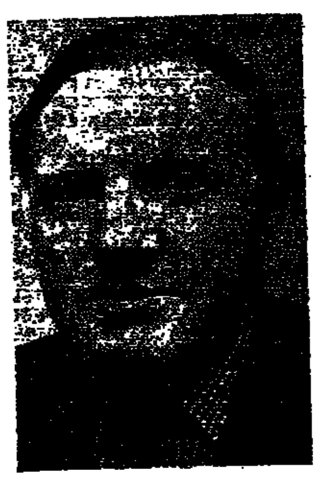
Electrical equipment provided 42 per cent of Delta's turnover and 49 per cent of its profits in 1986 and the group sees Scholes as a natural fit into its switchgear and accessories division.

The two companies have similar interests in the electrical safety market.

Concern over safety is prompting the increased use of shock detectors like miniature circuit breakers (mcbs) and residual current devices (rcds) which attempt to eliminate the risk of electrocution. Delta supplies industrial and commercial companies via its MEM and Bill switchgear ranges and Scholes supplies the domestic market via its Wylex range.

It seemed such a natural fit that Delta hoped for an agreed bid but after what were described as "positive discussions" with Scholes' chairman and managing director and its financial adviser N. M. Rothschild, Delta was forced into making an announcement by a sudden jump in Scholes' share price. A few days later, the board of Scholes rejected the bid and its share price now stands at 613p, well above the 550p cash alternative from Delta.

A £70m bid must have been a heady dream in the early years of Mr Wilson's stewardship. Like many of its rivals in the engineering industry, Delta rationalised production facilities, cut costs and sold loss-making subsidiaries; between 1979 and 1984, UK emloyee levels fell from 23,000 to 11,800. Cash became a top priority in order to cut the gearing ratio and by 1983 interest charges had fallen to £10m helping pre-tax profits back up to £31.8m.



Geoffrey Wilson, executive chairman of Delta Group

Mr Wilson, who became chairman in 1982, did his best to set an example for cost-cutting by slimming down the board and keeping head office staffing to a minimum; the result is that management is now firmly in the hands of the divisional executives whom he nicknames the "barons."

While the UK businesses battled to re-establish themselves, one area where growth was fairly hectic was South Africa. Ironically, Delta has been striving to diminish its exposure to the area for the past few years but such has been the pace of growth that Africa actually increased its share of profits between 1985 and 1986 from 15 per cent to 20 per cent.

As a result, Delta has been able to remit £30m in cash from South Africa over the past four years, considerably helping it to cut its gearing. Now that its stake in the businesses has been reduced to 49 per cent, the companies have assumed associate, rather than subsidiary, status and the profit contribution from the area should fall this year.

So the 1987 Delta can claim to have discarded its old dependencies on metals and South Africa.

"It's a good cash generator, with a good management team and some quality operations," believes Mr John Heron, an analyst at Greenwell Montagu.

The doubts centre on the growth prospects; between 1984 and 1986 pre-interest profits only rose from £54m to £58m. That figure was distorted by major disposals like those of the taps and tubes businesses in 1985 but nevertheless some of the group's business like cables and metals are perceived as being very mature.

Although the group could generate another £20m in cash this year, analysts expect pre-tax profits to rise about 10 per cent from £57m to £63m, a respectable but in these days unexciting improvement.

So most analysts agree that the company now needs to make some kind of purchase.

"I think Delta needs an acquisition to enhance its growth," believes Mr Colin Fell, engineering analyst at Scrimgeour Vickers. "The Scholes bid makes commercial sense for the company as long as it does not pay too much."

Although switchgear was known to be a potential expansion area, an overseas acquisition was widely perceived to be the group's first move, with the US the most popular tip. Delta admits to ambitions there and in Europe — the Scholes bid is only part of the acquisition strategy and indeed follows five bolt-on purchases since April.

But some wonder whether Scholes was the right place to make the first major move. The Manchester-based group earns a very good return on assets and when it comes to the debate, it might be hard for Delta to argue that it can add management strength. And with the current bid already valuing Scholes on a p/e of 22, it is hard to see how much room there is to improve the offer.

DELTA GROUP PERFORMANCE

	1981	1982	1983	1984	1985	1986
Profits before tax	15.2	13.9	31.8	45.7	50.6	57.8
Earnings per share	1.7	3.2	13.0	20.9	24.5	24.8

Profits in millions of pounds, earnings in pence

Multitone cuts loss

Multitone Electronics, which manufactures specialised communication systems, reduced its pre-tax losses by over £1m in the year to March 31 1987 with figures of £436,000 compared with £1.44m. The dividend is retained at a nominal 0.1p net, and the loss per 25p share was 2.6p against 7.8p.

The directors said the growth rate of the market for public paging equipment was expected to accelerate sharply during the next few years, especially in western Europe.

YEARLING bonds totalling £1m at 9½ per cent, redeemable on July 27 1988, have been issued by the following local authority. Swansea (City of) £1.0m.

Rural Planning heads for USM

BY PHILIP COGGAN

Rural Planning Services, a consultancy which gives advice to government authorities and companies planning environmentally-sensitive projects, is joining the Unlisted Securities Market via a placing.

The group went into receivership in 1982 after the non-payment of a large Central American contract but since then, after its purchase by some overseas investors, the company has concentrated on the UK market. The present directors gained control of the group via a management buyout in June 1986.

Pre-tax profits have grown only from £64,000 in 1983 to £142,000 last year but a surge in business this year and the sale of the agricultural software division enables the company to forecast pre-tax profits for 1987 of £425,000.

Gilbert Elliott is placing 1.43m shares, 22 per cent of the enlarged equity, at 70p each, giving the group a market capitalisation of £4.5m.

Ratners rights

Ratners Group announced yesterday that 91 per cent of the 27.28m new ordinary shares offered in its rights issue have been taken up.

JERSEY ELECTRICITY CO: Interim dividend 7p (5p) gross for six months to March 29 1987. Pre-tax profits £1.73m (£1.22m). Gross revenue £9.8m against £10.24m. Again no tax.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1986							
1st qtr.	109.1	102.8	105	119.3	146.0	3,171	186.5
2nd qtr.	109.5	104.0	105	121.2	154.0	3,203	175.8
3rd qtr.	110.9	105.9	106	123.7	150.7	3,208	200.2
4th qtr.	110.9	107.1	112	126.5	154.3	3,141	212.8
November	111.1	107.0	111	127.8	153.9	3,146	215.2
December	110.5	107.4	115	126.7	224.9	3,119	219.0
1987							
1st qtr.	112.2	107.4	108	128.4	157.0	3,072	210.4
2nd qtr.				128.3		2,985	222.1
January	111.2	108.2	114	123.6	158.4	3,114	210.3
February	112.7	108.2	108	127.0	154.5	2,986	207.1
March	112.5	107.9	102	125.1	157.8	3,049	219.4
April	112.0	108.0		130.0	159.0	3,018	213.9
May	113.3	109.1		125.4	161.3	2,952	231.3
June				129.3		2,985	233.2

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1986							
1st qtr.	105.9	101.4	115.0	101.5	109.2	103.1	14.2
2nd qtr.	105.3	101.8	115.9	102.5	110.5	104.1	18.5
3rd qtr.	106.5	101.0	117.5	103.1	109.0	103.1	18.9
4th qtr.	108.2	102.4	116.1	104.6	115.4	104.5	15.2
October	107.6	102.4	117.1	104.0	112.0	106.4	13.3
November	108.8	102.3	116.3	105.0	116.0	105.0	15.2
December	108.2	102.4	114.9	105.0	118.9	103.0	10.7
1987							
1st qtr.	107.5	103.7	118.4	105.7	115.1	104.5	17.1
January	107.1	102.9	117.1	105.0	107.0	105.0	12.7
February	108.0	103.9	119.0	106.0	122.0	105.9	18.2
March	107.4	104.4	119.2	106.0	117.0	104.0	20.3
April	107.8	104.3	117.5	106.8	117.0	105.0	19.2
May	108.0	104.9	119.2	107.9	125.0	105.0	16.4

EXTERNAL TRADE—Indices of export and import volume (1980=100); viable balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn*
1986							
1st qtr.	117.5	124.9	−1,227	+682	+1,899	101.0	18.75
2nd qtr.	121.9	128.8	−1,551	−94	+772	102.6	19.20
3rd qtr.	122.6	135.5	−2,573	−831	+646	103.1	20.14
4th qtr.	130.5	143.4	−2,602	−756	+346	100.8	21.97
October	127.0	139.6	−715	−100	+225	101.5	21.99
November	132.8	146.7	−1,000	−384	+354	100.9	22.01
December	131.6	143.9	−887	−272	+266	100.1	21.92
1987							
1st qtr.	131.6	133.2	−1,135	+665	+1,164	100.5	23.75
January	124.6	131.4	−517	+83	+383	100.3	21.95
February	138.4	138.0	−202	+398	+328	100.4	22.26
March	126.9	130.2	−417	+183	+454	100.8	27.04
April	130.6	137.1	−504	−96	+419	102.4	29.81
May							34.68
June							34.38

FINANCIAL—Money supply M0, M1 and M3 (three months' growth at annual rate), bank sterling lending to private sector; building societies' net inflow; HP†, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	HP lending† £m	Base rate %
1986							
1st qtr.	4.1	21.4	19.3	+6,293	2,229	7,375	11.50
2nd qtr.	3.1	25.9	27.3	+6,435	1,433	7,739	10.00
3rd qtr.	5.9	30.3	15.4	+6,996	168	8,223	10.00
4th qtr.	7.6	15.3	14.1	+10,531	2,814	8,178	11.00
November	6.4	25.4	19.0	+3,847	160	2,635	11.00
December	10.1	8.6	9.1	+3,196	783	2,784	11.00
1987							
1st qtr.	1.2	20.6	20.2	+6,662	1,475	8,881	10.00
2nd qtr.					1,904		9.00
January	7.7	18.1	13.5	+1,898	456	2,695	11.00
February	0.1	10.9	17.3	+2,879	472	2,949	11.00
March	−3.8	32.3	20.4	+2,085	547	3,237	10.00
April	0.1	20.7	32.6	+2,094	727	3,080	9.50
May	5.5	37.3	32.7	+2,748	521	3,043	9.00
June					556		9.00

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earn-ings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1986							
1st qtr.	179.1	122.4	143.4	98.5	96.9	1,825	75.1
2nd qtr.	184.9	125.8	145.7	97.8	95.7	1,714	76.1
3rd qtr.	187.4	120.8	146.3	97.9	96.2	1,464	71.9
4th qtr.	191.0	127.4	147.4	99.1	96.2	1,608	68.2
November	191.3	127.5	147.4	99.3	96.1	1,612	68.5
December	193.4	128.4	147.9	99.6	98.8	1,638	68.4
1987							
1st qtr	192.1	129.8	149.2	100.3	100.5	1,580	69.9
2nd qtr.		128.5	150.9	101.9	101.5	1,596	72.6
January	190.4	131.7	148.9	100.0	100.0	1,603	68.8
February	191.3	129.6	149.3	100.4	100.7	1,601	69.9
March	194.5	128.2	149.7	100.6	100.7	1,539	71.9
April	195.9	128.4	150.5	101.8	101.6	1,554	72.4
May	198.1	128.0	151.1	101.9	102.2	1,612	73.3
June		129.3	151.2	101.9	101.6	1,629	72.6

* Not seasonally adjusted.

† From January 1986 includes amounts outstanding on credit cards.

UK COMPANY NEWS

Owners Abroad hit by start-up at Air 2000

PRE-OPERATION administration costs for Air 2000 were reflected in a £3.58m pre-tax loss in the six months to April 30 1987 revealed yesterday by Owners Abroad Group, the travel company and airline which in May graduated from the USM to a full listing. The loss was in line with the company's expectations. Turnover totalled £24.54m.

However, because of a change of year end to October 31 the company has produced figures excluding those companies which were not in the group during the six months to April 30, 1986 to allow a valid comparison.

These show a loss before tax of £2.49m compared with a loss of £3.28m on turnover of £21.37m (£18.82m). The main companies excluded in the figures are Arrowsmith Holidays, a tour operator which has the same seasonal pattern to its results as the rest of the group, and Air 2000, Owners' airline which began operations on April 11 this year.

Arrowsmith and Air 2000 were expected to make a significant contribution to group profits in the full year.

Earlier this year it was expected that Owners would be the subject to a consortium bid led by Mr Neil Scott, former chairman of the company and the man who set it up 25 years ago. However, in early July Mr Scott disposed of 4.6m shares—8 per cent of the equity—and retained 1.72m shares (2.99 per cent).

Mr Howard Klein, who took over as chairman after Mr Scott's departure following a boardroom row in April, said that he was confident that the full year would show a worthwhile increase in profits over 1986. The company was continuing to trade well and bookings were currently 17 per cent ahead of last year.

He said it was the company's policy not to sacrifice margins for volume and although margins were under some pressure, overall they were being maintained.

Owners paid no tax and losses per share amounted to 6.23p. Mr Klein said that he expected to recommend an increased dividend for the full year to October 31 1987. In the ten months to October 31 1987 Owners paid 1.5p. It intends to start paying interim dividends in the year starting November 1 1987.

● comment

In spite of all the gloom among tour operators, Owners Abroad can take comfort that its seat wholesaling and Air 2000 operations are already fully contracted for and in the expectation that yet another wet UK summer should drive thousands into last minute bookings, so mopping up the 20 per cent of holidays still on the stocks. The holding of overheads at an annualised £10m rate whilst expanding operations, a lower (circa 35 per cent) dependence on main stream tour sales and a modest holiday sales growth target are all reasons why OA may not follow the sector's leaders into losses. The company should make £10¼m in the second half, producing an outturn for year of £7m pre-tax. This puts the shares at 129p on a prospective p/e of 17. This rating seems a couple of points too high and could be hard to sustain now that the former chairman (still holding 3 per cent) has abandoned attempts at a comeback bid. However, Harry Goodman's ILG has a "friendly" 9.6 per cent stake, a former finance director has an equally sociable 8 per cent and a major fund manager has a further 8 per cent.

McKechnie Bros. in £12m NZ purchase

BY CLAY HARRIS

McKechnie Brothers, the engineering and plastics group, has taken full ownership of Fluid Control NZ, the dominant New Zealand maker of taps and other brass plumbing products, with the purchase of the 50 per cent stake held by F. H. Tomkins, the engineering group.

The Fluid Control stake was previously held by Pegler-Hattersley, the valve maker which Tomkins took over in June 1986. McKechnie forced the sale under an agreement requiring that it be offered the stake if control of Pegler changed.

McKechnie is to pay NZ$32.75m (£12.36m) in cash for the holding and repay NZ$1.5m in loans. Fluid Control reported pre-tax profits of NZ$7.9m on sales of NZ$52m in the year to March 31, when it had net assets of NZ$24m.

In addition to its New Zealand production of taps, showers, mixers, flush and pressure-control valves and other fittings, Fluid Control has an Australian manufacturing subsidiary, International Brassware.

Fluid Control is the largest customer of McKechnie Brothers NZ, the country's leading maker of aluminium and brass extrusions and copper tube and a quoted company in which the UK parent holds a 69 per cent stake.

Before the sale, McKechnie and Tomkins (succeeding Pegler) had shared non-executive oversight of Fluid Control's local management.

Beecham delays US filing of heart attack treatment

BY MIKE SMITH

Beecham Group yesterday disclosed that it is delaying by three months the filing with US regulatory authorities of a new treatment for heart attacks.

Mr Bob Bauman, chairman, told the annual general meeting that the postponement had been caused by a decision to increase the number of patients covered in clinical trials. The US filing for the drug, Eminase, is now expected next April.

In West Germany the drug has been ordered by more than 100 hospitals since its launch there in March. The UK filing is expected by the end of this year.

Mr Bauman said the company had made an encouraging start to the current year. Trading profits were ahead and in line with expectations.

Almost all sections of the business showed progress and the "satisfactory trend" was expected to continue.

Of the new drugs, Relifax, a treatment for heart attacks, has achieved UK sales of more than £500,000 since its launch in March. Sales in West Germany have started more slowly.

Worldwide sales of Timentin, an injectible antibiotic, increased 59 per cent in the first three months of the year compared with the corresponding period of last year.

Sales of Augmentin, the antibiotic whose turnover growth was a significant factor in last year's 15 per cent in group pre-tax profits, were up 61 per cent.

The company is hoping to establish by the end of 1987 a sponsored American Depository Receipt (ADR) programme. It is also applying for a quotation on the National Market System of National Association of Securities Dealers (Nasdaq).

One shareholder, while praising the company's recent overall performance, lamented the sale of the Findlater Mackie Todd drinks business.

Shares in Beecham fell 12p to close at 564p.

Applied Holographics

Chairman O. C. Boxall said in the annual report that the second half of the current financial year should see a move into profitability and a firm base established for real growth in turnover and more importantly, profits thereafter.

Brasway moves ahead to £1.4m

Brasway, tube and bright bar manufacturer and oil blender, saw pre-tax profits rise from £1.31m to £1.4m on turnover down from £24.53m at £22.95m in the year to May 2 1987.

The directors proposed a final dividend of 0.85p—up from an adjusted figure of 0.625p last year—making 1.35p (1.125p) for the year. Earnings per share rose from 4.58p to 5.04p.

Mr Reginald Swaby, chairman, said all divisions had started the year well and overall prospects for the group both in the short and medium term remained extremely good. Acquisitions were being vigorously pursued and he expected organic growth also to be "the order of the day."

The company's engineering division made profits of £964,336 on turnover of £21.68m; oil blending contributed £109,038 from £1.26m; head office made £302,132; and associated companies £27,299. The results included an eight-month contribution from Midland Tube Stockholders and a four-month input from Europower Hydraulics.

Mr Swaby said that the year had not been without its problems: Brasway had disposed of its loss-making Lyndy division; acquired Midland Tube and Europower; and managed virtually to restructure the welded tube division.

The bright bar division experienced mixed fortunes, with the first eight months proving very difficult. However, the last four months saw some improvement. The new bright bar factory is virtually complete.

The oil blending division continued to develop and would certainly become an important contributor to group profits. Europower's business plan for the next three years looked very exciting, while the company was very pleased with Midland Tube.

Brasway paid tax of £467,863 (£537,474) and extraordinary items, relating to the disposal of Lyndy amounted to £78,484 (£346,892 credits). The directors recommended a one-for-one scrip issue.

Matthey in position to plan for expansion

MR NEIL CLARKE, Johnson Matthey's chairman, yesterday told shareholders at the annual meeting that the restoration of the group's financial position over the last two years enabled it to plan for expansion, although recent high double-digit rates of profit growth could not be maintained.

Of the group's four divisions, precious metals, which contributed £19.9m to 1986-87's pre-interest profit total of £60.4m, was continuing to experience buoyant platinum trading and high refining volumes, said Mr Eugene Anderson, chief executive.

Catalytic systems expected to see a flat US performance, the major component in last year's static £15.5m divisional result, although there was growth in Europe and Australia.

Materials technology is operating at about the same level as last year, but is improving and should finish with results somewhat ahead of 1986-87s £17m.

Colours and printing's opening months were down on last year, and this division's 1987-88 profits are expected to be similar to last year's £8m.

Splash Products half year profits jump 45% to £103,000

Splash Products, which prints and markets T-shirts and fashion garments, has lifted pre-tax profits 45 per cent from £71,000 to £103,000 in the first six months of the year to October 31 1987 against an increase of 17 per cent from £1.09m to £1.28m in turnover.

Mr John Beaumont, chairman of this USM-quoted company, said that sales for May and June showed a worthwhile advance over the corresponding months in 1986 despite some problems caused by the delayed receipt of imported goods, which were held up by strike action at certain British ports. Notwithstanding this situation, he viewed the outlook with confidence.

Tax charged for the period was £35,000 (£26,000), leaving £68,000 (£45,000) for net earnings of 1.36p (1.12p) per 10p share.

An interim dividend of 1.1p has been declared—there was a payment of 2.2p for 1985-86.

A. CAIRD & Sons (property and investment) is acquiring the capital of Powell & Halsall (Haulage) and related properties for £1.25m, satisfied by the issue of 416,667 shares placed with institutions. P & H is engaged in the transport of waste materials. For the nine months ended June 30, 1988 the vendors have warranted pre-tax profits of £300,000.

Public Works Loan Board rates

Effective July 22

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
1	—	—	9½	—	—	9⅞
Over 1 up to 2	9½	9½	9	10½	10½	9⅞
Over 2 up to 3	9½	9½	9½	10½	10½	9⅞
Over 3 up to 4	9	9½	9½	10	10½	9⅞
Over 4 up to 5	9½	9½	9½	10½	10½	9⅞
Over 5 up to 6	9½	9½	9½	9⅞	9⅞	9⅞
Over 6 up to 7	9½	9½	9½	9⅞	9⅞	9⅞
Over 7 up to 8	9½	9½	9½	9⅞	9⅞	9¾
Over 8 up to 9	9½	9½	9½	9⅞	9⅞	9¾
Over 9 up to 10	9½	9½	9⅜	9⅞	9⅞	9¾
Over 10 up to 15	9½	9½	9½	9¾	9¾	9¾
Over 15 up to 25	9⅜	9⅜	9½	9¾	9¾	9¾
Over 25	9¼	9¼	9¼	9¾	9¾	9¾

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

TECHNOLOGY : Computing

BY ALAN CANE

How Darmstadt gained from a transatlantic shuttle

Software AG has become pre-eminent in Europe on the back of fastidious commercial housekeeping and a unique venture into the US market

Software AG's Darmstadt headquarters and (from left to right) Peter Pagé, executive vice-president, Peter Schnell, president, and Wolfgang Mudter, manager of international operations.

DARMSTADT, near Frankfurt, West Germany, is the home of the European Space Agency, where batteries of electronic scanners track the re-entry of earth-bound space satellites.

It is also the home of Software AG, a European company the present leading position of which in world software is at least in part the result of its own unique "re-entry" a decade ago into its home market.

In 1972, three years after it was founded and at a point at which it was becoming well established in its native Germany, it took the courageous decision to withdraw its entire sales force from Europe to attempt to find broader markets in the US.

It was a pioneer among European computer firms in attempting to sell software in the US and the company it set up, Software AG of North America, proved resilient and successful.

Within two years it had installed some 50 copies of its principal product, the database management systems Adabas, in over 20 computer installations.

In 1976, it entered the European market and has never since looked back. According to Peter Pagé, its executive vice president, to succeed in Germany, it was first necessary to have proved itself by succeeding in the US.

Its present rate of growth of over 25 per cent a year, he says, is not only satisfactory but "horrific."

"We do not wish to become a supernovae" he says, going on to explain that he is concerned about software companies which are driven chiefly by marketing considerations: "These companies are simply heating themselves up" he argues. "I see grave dangers in that."

On the face of things, there is little danger of Software AG burning away in a cloud of incandescent gas. Its success seems to be built on a combination of thoroughly engineered software technology coupled with fastidious housekeeping.

Its extensive and comprehensive series of products have all been funded from earnings with the exception of a small Government grant given in the early 1970s.

"First we earn, then we spend," says Pagé. The results of this approach are substantial. At the end of the 1986 financial year, liquid funds and financial investments amounted to some 30 per cent (DM 35.2m) of the company's assets.

Software AG now inhabits a building on the outskirts of Darmstadt, built in a fine combination of traditional and modern styling, which it had outgrown almost as soon as it took it over from the builders.

It has already identified an adjoining site where a second, similar building will be erected next year.

Software AG specialises in the kinds of computer program, systems software, which rarely hits the headlines like—for example, the best selling spreadsheet Lotus 1-2-3—but which is absolutely critical to the data centre, the data processing industry's production site. Systems software is concerned with control of the computer's own operations and the provision of utilities to make data processing operations quicker and more efficient.

Adabas, the company's flagship, is such a utility, a database management system, a way of storing, organising and retrieving information held in a computer system.

Adabas was devised and written by Peter Schnell, Software AG's principal founder and president, who still takes a close and direct interest in the development of new products.

It was far ahead of its time when it was written. Early databases were hierarchical in structure with a system of software pointers to speed up the location of information in what was essentially a slow and cumbersome system.

More recently there has been a flurry of interest in what are called relational databases, where the relationship of every piece of information in the database to every other piece of information is clearly defined.

It makes possible queries like "Produce a list of all salesmen in the south-west region who were under quota last month."

Adabas was designed as a relational database from the word go.

Pagé says: "It makes sense to us to have the data stored as flat files (the basic structural element in a relational database). We said right from the beginning that there was no need for pointers or for a hierarchical structure."

Only now is the competition catching up. IBM is marketing its own relational database called DB2 which is still, by general agreement, somewhat on the slow side. Adabas, for example, has been benchmarked at several times the speed of DB2.

Other competitors include Cincom, Computer Associates, Digital Equipment and Cullinet, a company which had been chief competition to IBM in earlier years but has had a rough time converting to relational technology.

IBM is certain to establish DB2 in most of the data processing centres which use its equipment, so does Software AG face an increasingly tough future?

Pagé agrees that the competition will become harder but he argues that Software AG still has a five to seven year competitive edge, quoting the US consultancy the Gartner Group as saying that IBM is some five to eight years behind the state of the art in database management technology.

Other authoritative opinions have come from computer industry experts such as James Martin, who believes that Adabas comes closest to the concept of an ideal relational database.

But in a world where manufacturers and US-based companies dominate the systems software market, how has Software AG managed to achieve its present position of leading the European market among independent software manufacturers?

First, it concentrates on its own business and expends no effort on what it sees as fripperies. It is not a member of the European trade association, ECSA, or the European Computing Services Association: "We have no time for that" Pagé says scathingly.

It has not sought development funds from either of the major pan-European research initiatives Esprit or Eureka and its senior people make it clear they doubt the value of such efforts.

Secondly, it maintains a close relationship with its customers. Its first copy of Adabas was installed in the West Deutsche Landesbank some 16 years ago and the bank is still a customer.

Because of the technical quality built into Adabas, while other companies have had to go through expensive and traumatic software conversions to make progress, Software AG's customers have built on their original foundation: "It is the same technology," Pagé shrugs, "Now it is approved of as futuristic."

Third, it operates in all European countries and in North and South America, Japan and in the Middle East through subsidiaries run by local management and subject to local laws and business conditions.

This means that calculating the group's worldwide turnover can be complex. It seems, however, that in 1986 it was more than $200m, which would place the group right at the top of the list of independent software houses.

Wolfgang Mudter, the manager for international operations, says that all are profitable and showing significant growth. The UK subsidiary, for example, doubled its turnover last year to DM 18m.

Perhaps most important, however, is the effort the company has put into making its software simpler for its customers to use.

"There are many technological dragons in systems software that the user has to fight," says Pagé. "We try to hide the detailed technology. Data processing can no longer have a special, mystical status, because user company top executives simply do not have the detailed technical knowledge."

Where Adabas is at work in Britain

SOFTWARE AG customers in the UK include the High Street retailer F. W. Woolworth, the national pallet and container pool, GKN Chep, and Edinburgh District Council.

Woolworth began to use Adabas in 1985 after it went through a structural reorganisation including a change of control from its former US parent to a British consortium.

The data processing side of the business had to be reorganised in the shortest possible time. The hardware, an IBM large mainframe, was installed in January 1985; the database was operational four months later with the first "production" system running only eight weeks after that.

At GKN Chep, Adabas is used to keep track of more than 6m pallets which are hired on a daily basis to industries including pharmaceutical, food, drink and packaging.

The operation is run on a Digital Equipment (DEC) Vax 11/780 superminicomputer. Systems manager Michael Curran concentrated on using the software to make the company more effective in the marketplace: "The first application to come from Adabas was a customer service system, not an accountancy program," he says. "It ensures that a customer receives a prompt and adequate answer to any pooling query."

Edinburgh's Tourist Information Centre features a booking system which has proved accurate, reliable and what the customer wanted (which is not always the case in complex systems development).

The city's Labour-controlled council is attempting to move decision-making closer to the people; but area office approach works only if it is backed up by efficient computer systems. So far, Adabas and Natural seem able to have met the challenge.

Tales of the Supernatural feature in the race to stay ahead

ADABAS seems to have been around for so long that Software AG's management complains that people sometimes think it is old hat. Not so, they say, the rest are only just catching up.

Nevertheless, no company can afford to sit on its laurels in the software business and the company is investing heavily in its view of the future.

The basic elements of the product line are the database management system Adabas itself, together with "Natural," Software AG's fourth generation language.

A fourth generation language or 4GL makes it possible to write complex programs in a simple fashion, and it is basic to Software AG's strategy. More recently the company has introduced Supernatural, a personal application generator.

Around this core, the company has built a complex set of software tools, pieces of software with functions that might seem obscure outside the world of the data centre, but are absolutely vital within.

They include Natural Connection, a system for connecting microcomputers to mainframes, Com-plete for data communications management and Con-nect, an office automation system.

The chief thrust of the company's research is now towards incorporating artificial intelligence in software tools and systems.

Peter Pagé, Software AG's executive vice president, says: "We are creating a data base system that will, for the first time, be able to learn."

Much of the development work is directed towards expert systems, software systems which have the capacity to store information and manipulate it in a variety of ways so that the computer can give seemingly reasoned answers to questions asked of it.

"Expert systems can no longer be regarded as something new and mysterious," according to Pagé, "They must be included in standard applications."

He believes that the data dictionary, the list of all the names of all the data items in a data base will take on an increasing number of logical functions in application development.

Such a system could offer the programmer the possibility of creating new applications simply by linking together sets of data with predefined specifications: "This will considerably reduce, if not eliminate, actual programming."

So Software AG, a company which has set great store by making data processing simpler for its customers could be set to slay the greatest dragon of all.

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COMMODITIES AND AGRICULTURE

UK determined on set-asides

BY BRIDGET BLOOM

THE EUROPEAN Community cannot rely on decreasing the price paid to farmers as a means of reducing mounting cereal surpluses but will have to take increasing quantities of land out of cereal production, Mr John MacGregor, Britain's Minister of Agriculture, warned yesterday.

He hoped to introduce a limited voluntary scheme to take some land out of production early next year under the EC socio-structures scheme finally adopted last month. But the Government was determined to press the case for a Community-wide scheme as soon as the business of the EC resumed in the autumn, Mr MacGregor said.

The debate was bound to be lengthy and controversial but the Community had to accept that "one way or another land is going to have to come out of cereal production."

Yields from cereals were rising inexorably and the Commission now predicted that within five years, EC stocks would amount to 100m tonnes. Demand for cereals was static or falling, while there seemed to be little prospect of increasing exports.

However, even if increased British exports were possible—as they had been in the last year because of shortfalls in southern Europe—the rising cost of support for cereals was prohibitive. Mr MacGregor noted that the spending allocation for cereal price support in the Commission's draft budget for 1988 was £4bn, nearly twice the amount spent in 1985. Cereals now took 21 per cent of total Community expenditure on agricultural commodities compared with 12 per cent in 1985.

Mr MacGregor — who was talking yesterday to the Home Grown Cereals Authority in London indicated that the conclusion was clear. Despite the recent decreases in prices to be paid to farmers and despite, also, the tightened Community control over the buying of cereals into the EC's intervention stores, "we cannot rely on price alone to reduce the level of cereal production."

The minister made it clear that the so-called set-aside scheme which Britain wanted the EC to adopt would be voluntary and he named neither figures for the acreage which he would expect to be withdrawn, the savings which might be made, nor the compensation which might be paid to farmers either for leaving land fallow or growing alternative crops.

Mr John MacGregor . . . "One way or another land is going to have to come out of cereal production"

Officials estimate that at least 15 per cent of the land presently growing cereals would have to be set aside in order to bring internal demand and consumption into reasonable balance, a figure which the British National Farmers' union, for example, also accepts.

However, the NFU has been urging the case, both to the Government and the Commission, for a compulsory set-aside scheme. It fears that a voluntary scheme will not attract enough farmers and could result in only the most marginal land being taken out of production. It also believes that a compulsory scheme would be fairer both within each member state and across the Community.

Yesterday, Mr MacGregor accused critics of a voluntary scheme of "sweeping aside formidable difficulties," including policing and administering a compulsory scheme which could include Europe's 4m cereal farmers. British officials also argue that a voluntary scheme would be more likely to be taken up by the smaller and less efficient farmers.

Britain, France and Germany contribute the major part of the EC's cereal surpluses and in varying degrees support some form of set-aside scheme. But as Mr MacGregor acknowledged yesterday, getting EC-wide acceptance even for a voluntary scheme will be a lengthy and difficult process.

There is no possibility that it could affect this year's planting, due to begin in a couple of months. The best Britain can hope for is that a scheme could be negotiated at next year's price fixing, in time for the 1988-89 season.

Pechiney plans more aluminium capacity

By Robert Gibbens in Montreal

PECHINEY OF France plans a feasibility study for a third potline at its new 230,000 tonnes-a-year aluminium smelter near Montreal.

The C$1.2bn (£570m) smelter, 50.1 per cent-owned by Pechiney and 24.95 per cent each by Alumax and a Quebec government-controlled company, started up the first potline last August and the second early this year.

The plant's infrastructure was designed for fast installation of a third potline of around 110,000 tonnes capacity when markets justified it. The study will take nearly a year against a background of rising world demand for aluminium.

Pechiney in Greenwich, Connecticut, would not comment, but industry sources say that a 1986 deal under which Reynolds Metal Company, of Richmond, Virginia, would acquire a 25 per cent interest in the smelter, has finally been completed.

Taiwan buys US products

TAIWAN has bought US farm products worth $390m during a purchasing tour of the country, Reuter reports from Washington.

The purchases included corn, soyabeans, wheat, cotton and orange juice concentrate, the Taiwanese embassy said. It tendered for barley, but the price offers were unacceptable.

US waves stick over Gatt talks

BY NANCY DUNNE

THE COMPREHENSIVE Senate Trade Bill, passed on Tuesday by a resounding 71-27 vote, contains a stick designed to prod along the agriculture trade negotiations underway in Geneva in the new round of the General Agreement on Tariffs and Trade.

The Reagan Administration has tabled a proposal in Geneva which would phase out all agriculture trade subsidies and barriers by the year 2000. Should the Gatt working group fail to reach agreement within two years, then the US could well implement a provision in the Trade Bill calling for massive export subsidies of American grains and oilseeds starting in 1990.

So far, most of US export subsidies, granted under the Export Enhancement Programme (EEP), have been mostly limited to sales of wheat and wheat flour in a particularly competitive market place. US farmers are up in arms, however, about recent EC subsidies of maize exports and have been demanding that the US follow suit.

According to the US Feed Grains Council, because the EC has never before had significant maize exports, its use of subsidies to gain market share is in violation of the Gatt. "The subsidies are also improper in light of the EC's participation in the opening agreements of the new Gatt Round, which called for a freeze and rollback of all subsidies," the Council said recently.

In view of the freeze and rollback, Congress has been reluctant to grant vast new subsidies for feed grains. Instead it has given the Gatt time to act. It has also given the Presidency authority to waive the requirement by certifying that negotiating progress has been made.

However, an administration may by then be in power which is less committed to free trade than is President Reagan, and it cannot be counted on to exercise the waiver.

The subsidies provided for in the bill are called "marketing loans." A marketing loan allows farmers to repay their government loans at world price levels, and the Government thus takes a loss on the difference. Marketing loans have already been implemented for cotton and rice and US exports in those commodities have soared.

Britain escapes beet disease

BY BRIDGET BLOOM

RHIZOMANIA, the virus disease which attacks sugar beet and has caused markedly lower yields in continental Europe, is not present in the UK although the British Ministry of Agriculture accepts that a risk of infection remains.

Two incidents involving the importation of the virus, in soil on consignments of potatoes from the Netherlands, have been investigated in the last year, the ministry announced yesterday. But it added that safety measures carried out at the East Anglian processing factory which imported the potatoes resulted in the destruction of the virus before it could spread to neighbouring farms.

The rhizomania virus — the beet necrotic yellow virus — is carried by the otherwise harmless soil fungus, polymixa betae. It was first detected in southern Europe in the late 1950s and has spread north since, sometimes resulting in yields as low as three tonnes a hectare of refined sugar, compared to averages of 12-15 tonnes.

At present there is no known method of controlling the disease once it has infected beet, although some progress has been made in controlling its soil borne vector and research is continuing into varieties which are resistant to the disease.

Britain's farmers, currently producing some 1.4m tonnes of the EC's 14.5m tonnes of refined beet sugar, have long feared the advent of the disease. Yesterday, however, the Ministry insisted that provided proper vigilance was maintained, particularly by vegetable importers, the danger of rhizomania spreading to Britain was slight.

Recultivating Ghana's goldfields

BY PETER BLACKBURN IN ABIDJAN

THINGS ARE looking up at the historic but dilapidated Ashanti goldfields, one of the world's richest and most celebrated gold mines.

A 5½-year project, costing $159m, to rehabilitate the 90-year-old mine and increase output by 50 per cent to 400,000 ounces a year by 1991 is now in full swing after a slow start. "We are driving for a better future," says Mr Bill Hussey, Ashanti Goldfields Corporation's general mines manager.

"The project is a great step forward and should keep the mine viable for the next 50 years."

It is already starting to show results with production for the first quarter of the 1987 financial year reaching the highest level for 10 years. Production at the mine—at Obuasi, 165 miles north-west of the capital Accra—rose last year to about some 282,000 ozs from 264,345 ozs in 1985.

Proven reserves total 7m short tons of ore containing an estimated 2.3m ozs of gold—enough to maintain output at the current level for 10 years. In addition there are at least another 10m short tons of potential reserves which if developed would guarantee production into the next century.

The UK-based Lonrho bought AGC in 1968 but its stake has been reduced to 45 per cent, with the Ghanaian government holding the rest.

The project is the most important private investment in Ghana since independence from the UK in 1957 and shows renewed confidence following the implementation by the Rawlings regime of far-reaching economic reforms as part of an economic recovery programme sponsored by the World Bank.

AGC accounts for about 85 per cent of national gold output, which is the country's second major export earner after cocoa.

Output declined steadily from a peak of 533,000 ounces in 1972 to a trough of 232,000 ounces in 1980 because of a lack of new shaft sinking, ageing equipment and the erosion of production bonuses. An acute shortage of foreign exchange to pay for imported spare parts forced engineers to cannibalise machinery in order to keep plant working.

The present project was made possible after the Government introduced a new minerals and mining law in 1986 allowing companies to retain a minimum 25 per cent of foreign exchange earnings.

"The new law has led to a great resurgence of interest among foreign mining companies," says Mr Kofi Ansah, chief executive of the Minerals Commission in Accra. About 30 foreign firms, mostly Canadian and Australian, have applied for gold and diamond prospecting licenses.

AGC was able to negotiate a 45 per cent foreign exchange retention reflecting the company's importance to the national economy and its urgent need for new equipment as well as heavy debt servicing commitments. "We could retain more if we showed it was necessary for the success of the project," says Mr Sam Jonah, who last year became AGC's first Ghanaian managing director.

"It is an expensive project as we have to import everything," he explains.

The project also promises a high rate of return, however, reflecting the high grade of reserves, low operating costs and the fact that basic infrastructure is already in place.

The Government's decision to compensate Lonrho for the majority 55 per cent stake it took in 1972 was another important factor enabling the project to go ahead.

Start up of the project was delayed by over one year to October 1985, however, while the foreign exchange provisions were negotiated.

The project is partly financed by loans totalling $77m from the World Bank's private sector affiliate, the International Finance Corporation, and Standard Chartered Merchant Bank. There are two main elements to the project—a 5½-year shaft sinking and development programme to expand and sustain ore output at 1.1m short tons per year (similar to peak production in 1976) and a three-year re-equipment programme to modernise the mine and treatment plant, infrastructure and services.

The new shafts will shift the centre of mining operations, spread over eight miles, from the north towards the south. And they will provide easier access to new and higher grade ores in the southern part of the mine, according to senior mine engineer Mr Steve Maw.

The first new shaft, the 2,800 ft George Cappendell, will be used to hoist men and materials and is due to be commissioned mid-1987.

Work on the New Justice Shaft, which will hoist ore, started last November. The 21-foot diameter shaft, the widest in West Africa, will be sunk to a depth of 4,500 feet and is due to be commissioned early in 1991. It will handle 450,000 short tons of ore a year which would otherwise have to be conveyed four miles to the south shaft before being brought to the surface.

The Adansi sub-vertical shaft at the north end of the mine is being deepened to 6,300 feet from 5,200 feet and a new ventilation shaft—Justice South—is also being sunk.

The compressed air system is being completely refurbished and a new 5-km conveyor and drivage system installed to transfer ore from the southern mining areas as part of a re-equipment programme aimed at raising productivity by nearly one-third.

One of the major innovations of the project is a $6m carbon in pulp tailings treatment plant located next to the 40-year-old central gold treatment plant. The new plant will treat 2,000 tonnes a day of tailings and recover some 40,000 oz of gold a year. It is due to start operating during the second half of 1987 and should pay for itself within a year, according to AGC engineers.

Some 3,150 new bungalows are also being built in order to improve living conditions for AGC's workforce of 13,000, which includes 85 expatriates. The project should guarantee job security at the country's largest industrial employer, and substantially increase export earnings in a country which until quite recently was known as the Gold Coast.

MARKETS LONDON

COPPER'S RECENT firm tone was reasserted on the London Metal Exchange yesterday as the cash price move ahead to register the highest closing price for 22 months. Having already recouped £8.50 of last week's £36.50 setback cash copper put on another £40.50 at £1,065 a tonne. The three months position closed with a £37 gain at £1,051.50 a tonne. Dealers said the market was underpinned by the continuing tightness of physical supplies and concern about Middle East tension. But they said the main impetus came from the New York market's strong overnight tone, which took London traders by surprise and prompted a scramble to cover earlier short sales. Further upward pressure was provided by sterling's weakness against the dollar. The widening of the cash premium over three months copper reflected increased "borrowing" (selling forward and buying cash). The zinc market was also firm with cash metal closing £11.50 up at £511 a tonne. Sterling's weakness was again a leading factor but dealers also reported trade and commission house buying in response to an oversold market situation resulting from last week's heavy selling. Borrowing was also a factor in the zinc market, widening the cash premium by £4 to £9.50 a tonne.

LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

July 22	July 21	M'th ago	Year ago
1627.5	1625.2	1611.0	1459.2

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	July 21	July 20	M'th ago	Year ago
Spot	127.53	127.64	—	125.35
Fut	126.00	126.25	—	115.25

(Base: December 31 1931 = 100)

MAIN PRICE CHANGES

	July 22 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1680/700	+30	$1585/585
Copper			
Cash Grade A	£1065	+40.5	£969
3 months	£1051.5	+37	£957.75
Gold Troy oz	$454.75	+2.5	$442
Lead Cash	£412	+3.5	£389.5
3 months	£389.5	+4	£367.5
Nickel			
Free Mkt.	221/241c	+5	201/221c
Palladium oz	$141.00	+0.50	$137.00
Platinum oz	$575.60	+2.50	$554.00
Quicksilver†	$235/245	......	$240/250
Silver troy oz.	483.95p	+5.10	429.25p
3 months	495.35p	+5.55	439.10p
Tin			
free Mkt.	£4000/050	+10	£4120/150
Tungsten	$53.69	—2.50	$56.15
Wolfram 22.04lb	$48/55	......	$48/55
Zinc	£511	+11.5	£535
3 months	£501.5	+7.5	£520
producers	$860	......	$860
OILS			
Coconut (Phil)	$415x	—45	$480
Palm Malayan	$292.5t	......	‡
Seeds			
Copra (Phil)	$285x	—5	$295 —
Soyabean (U.S.)	$150.5z	......	$155.5
GRAINS			
Barley Fut. Nov.	£99.60	—0.10	£95.75
Maize	£163.50	......	£156.00
Wheat Fut. Sept	£101.25	—0.20	£99.85
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept	£1348.5	—5	£1306.5
Coffee Ft. Sept	£1224	—0.5	£1256.5
Cotton A Ind.*	84.25c	+0.3	80.25c
Gas Oil Sept.	$157.75	—1.25	$158
Rubber (kilo)	70p	+0.5	63.75p
Sugar (raw)	$156.6x	—5.8	$171
Wooltops 64s	479p kilo	......	470p kilo

‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. z July-Aug. x Aug-Sept. y Aug. w Oct-Nov. T-Sept.

ALUMINIUM

99.7% purity	Unofficial (close p.m.) $ per tonne	+ or —	High/Low
Cash	—	—	—
3 months	1640-50	+40	—

Official closing (am): Cash— (—). three months 1640-5 (1608-10). settlement — (—). Final kerb close: —. Ring turnover: — tonnes.

99.5% purity	£ per tonne	+ or —	High/Low
Cash	1063-5	+34	1052/1050
3 months	986.5-7.5	+26.5	989/968

Official closing (am): Cash 1050-1 (1028-30). three months 976-7 (961-2). settlement 1051 (1030). Final kerb close: 988-9. Ring turnover: 22,450 tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or —	High/Low
Cash	1064.5-5.5	+40.5	1056/1057
3 months	1051-2	+37	1052/1035

Official closing (am): Cash 1058-9 (1023-4). three months 1046-7 (1010-1). settlement 1059 (1024). Final kerb close: 1048-9.

Standard			
Cash	1060-5	+38.5	1060
3 months	1045-50	+37.5	—

Official closing (am): Cash 1060-5 (1023-5). three months 1040-5 (1005-6). settlement 1065 (1025). US producer prices: 77.5-82 cents per lb. Total ring turnover: 53,850 tonnes.

LEAD

Official closing (am): Cash 413-4 (408.5-9). three months 391-1.5 (386-6.5). settlement 414 (409). Final kerb close: 309-1. Ring turnover: 10,025 tonnes. UE spot: 38-42 cents per pound.

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	411-3	+3.5	414
3 Months	389-90	+4	395/388

NICKEL

Official closing (am): Cash 3065-70 (2975-80), three months 3092-3 (3015-20), settlement 3070 (2980). Final kerb close: 3085-95. Ring turnover: 986 tonnes.

	Unofficial close (p.m.) £per tonne	+ or —	High/Low
Cash	3050-60	+60	—
3 months	3085-90	+57.5	3130/3075

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	510-2	+11.5	—
3 months	501-2	+7.5	505/495

Official closing (am): Cash 512.5-3 (496-7). three months 502.5-3 (491-2). settlement 513 (497). Final kerb close: 504-5. Ring turnover: 7,500 tonnes. US prime western: 47.5-48.5 cents per pound.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.		Puts Nov.	
Aluminium 99.7%	—	—		—	
		Sept.	Nov.	Sept.	Nov
Aluminium 99.5%	1,525	—	—	15	56
	1,550	78	61	22	65½
	1,575	68	48	—	—
Copper (Grade A)	1,625	—	—	19	50
	1,650	61	66	48	60
	1,675	46	53	—	—
Copper (Grade A) £/tonne	1,000	—	—	8	21
	1,025	46	52	13	30
	1,050	31	38	—	—

Estimates.

GOLD

GOLD BULLION (fine ounce) July 22

Close	$454½-455	(£284¾-285¼)
Opening	$454¼-455	(£283½-284)
M'n'g fix	$454.45	(£285.235)
Aft'n'n fix	$454.90	(£284.847)
Day's high	$455¾-456¼	—
Day's low	$452½-453	—

GOLD AND PLATINUM COINS

Am Eagle.	$464-469	(£291-294¼)
Mapleleaf	$465½-469½	(£292½-294½)
Kr'g'r'nd..	$454-457	(£284¾-286½)
½ Krug....	$237-238	(£148¾-149¼)
¼ Krug....	$119-120	(£74¾-75¼)
Angel......	$463½-466½	(£290¾-292½)
1/10 Angel	$45-50	(£28¼-31¼)
New Sov..	$106½-107½	(£66¾-67½)
Old Sov.	$106½-108	(£66¾-67¾)
Noble Plat.	$591-601	(£370¾-377)

TIN

KUALA LUMPUR TIN MARKET: Close 16.05 16.07) ringgit per kg. Down 0.02 ringgit per kg.

SILVER

Silver was fixed 5.1p an ounce higher for spot delivery in the London bullion market yesterday at 483.95p. US cent equivalents of the fixing levels were: spot 772.5c, up 5.5c; three-month 785.8c, up 5.75c; six-month 799.3c, up 5.55c; and 12-month 829.6c, up 6.15c. The metal opened at 494½-496p (778-778c) and closed at 487½-489p (778-780c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoff'l	+ or —
Spot	483.95p	+5.10	779c	+15
3 months	495.30p	+5.55	790c	+15
6 months	507.00p	+5.75	—	—
12 months	531.05p	+6.80	—	—

LME—Turnover: 2 (1) lots of 10,000 oz.

Three months high/low 793.5c, final kerb 790-2c.

COFFEE

Another dull session for Robustas as prices were confined to a narrow range, reports Drexel Burnham Lambert. Price-fixing prevented levels from testing contract lows but fresh buying was non-existent.

COFFEE	Yesterday close	+ or —	Business done
July	1193-1198	—7.0	1205-1195
Sept	1223-1225	—0.5	1231-1220
Nov.	1244-1245	—3.5	1255-1244
Jan	1257-1258	—6.0	1280-1266
Mar.	1295-1298	—3.0	1301-1291
May	1318-1319	—5.0	1324-1315
July	1335-1355	+1.5	1349-1344

Sales: 4,673 (2,488) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for July 21: Comp. daily 1979 95.81 (97.00); 15-day average 96.45 (96.58).

COCOA

Futures ended a dull day at the higher end of a £10 trading range. Physicals failed to attract either consumers or producers, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
July	1360-1377	—6.5	1374-1383
Sept	1348-1349	—6.0	1349-1338
Dec	1385-1386	—7.0	1388-1375
March	1408-1409	—7.0	1411-1398
May	1427-1428	—6.5	1429-1420
July	1442-1445	—6.0	1444-1458
Sept	1456-1459	—7.5	1469-1450

Sales: 2,348 (5,125) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for July 22: 1675.25 (1690.28): 10-day average for July 23: 1700.48 (1697.22).

FREIGHT FUTURES

During a quiet morning levels drifted on night selling. Despite a higher BFI the decline continued, triggering stop-loss selling which served to increase the downward momentum and levels closed on the lows, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
July	975/976	985/975	975/980
Oct.	1076/1080	1110/1075	1196/1098
Jan.	/1083/1085	1110/1080	1095/1100
Apr.	1085/1095	1190/1090	1100/1115
July	950/960	985/980	980/990
Oct.	1020	—	910
Jan.	1020	—	1010
April	1100	—	1060
BFI.	965.5	—	965.5

Turnover: 453 (391).

GRAINS

In dull trading conditions wheat eased on country hedge selling, while barley retained its steady trend to firm on modest shipper short-covering, reports T. G. Roddick.

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
Sep.	98.85	+0.10	96.60	—0.10
Nov.	101.25	—0.20	99.60	—0.10
Jan.	104.13	—0.15	102.50	+0.10
Mar.	106.80	—0.20	104.90	+0.10
May	109.25	—0.15	106.65	+0.10
July	111.40	—0.20	—	—

Business done—Wheat: Sept 98.85-8.05, Nov 101.35-1.25, Jan 104.15, Mar 106.90, May 109.30-9.25, July untraded. Sales: 71 lots of 100 tonnes. Barley: Sept untraded, Nov 99.70, Jan 102.40, Mar and May untraded. Sales: 7 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring no. 2 14 per cent Aug 90.75, Sept 91.50, Oct 93.60. US no. 2 soft red winter Aug 86.75, Sept 87.25, Oct 89.25. French 11½-12 per cent Aug 120.00. English feed fob Sept 101.00/101.25 buyer/sellers, Oct/Dec 105.00 seller, Jan/Mar 108.50/109.00 buyer/sellers. Maize: US no. 3 yellow/French transhipment east coast July 163.50. Barley: English feed Aug 98.00 seller, Sept 99.00/99.50, Oct/Dec 103.50/104.00 buyer/sellers, Jan/Mar 107.50 buyer.

HGCA—Locational ex-farm spot prices. Feed barley: E. Mids 91.80. The UK monetary coefficient for the week beginning Monday July 27 is expected to remain the same.

US MARKETS

CRUDE OIL fell on an early technical sell-off, touching commission house stops which was followed by long liquidation and good local selling, reports Drexel Burnham Lambert. The precious metals firmed on good trade buying as traders avoided positions in view of new developments in the Middle East. Copper rallied on good trade and fund buying touching off stops as the shortage of copper continued to affect the market. Early arbitrage buying followed by light trade buying pushed up cocoa slightly. Sugar consolidated with both scale-up selling by funds and commission houses and scale-down buying by the trade. Coffee was steady in light action on local and trade selling in the face of commission house support. Cotton rallied early on good commission house buying but the trade continued to sell, prompting the locals to take short positions in a choppy trading session. The grains, after an initial sell off, recovered solely on the basis of a technical rally which pared early losses. In the meats cattle was stronger on a technical rally due to the oversold condition of the market. The hogs and pork bellies were higher as they pushed to close the gap between the cash and futures markets.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
July	74.25	73.60	74.25	74.00
August	74.00	73.35	—	—
Sept	73.25	72.80	73.00	73.00
Dec	72.80	71.95	72.30	72.30
Jan	70.65	70.00	—	—
March	69.15	68.50	—	—
May	67.95	67.20	—	—
July	66.65	66.00	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
Sept	2025	2030	2035	2020
Dec	2055	2058	2064	2049
March	2085	2086	2088	2078
May	2110	2113	2105	2100
Sept	2155	2155	2147	2147
Dec	2180	2180	2180	2174

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
Sept	104.65	104.11	104.70	103.80
Dec	107.77	107.53	107.80	107.00
March	111.00	110.25	111.00	110.00
May	112.77	112.13	112.50	112.10
July	114.28	114.13	114.52	113.80
Sept	116.29	115.69	116.55	115.77
Dec	118.63	118.50	—	—

COPPER 25,000 lb, cents/lb

	Close	Prev	High	Low
July	76.80	75.35	77.20	75.65
August	75.95	74.80	—	—
Sept	74.80	73.35	74.80	73.80
Dec	73.70	72.40	73.80	72.95
Jan	73.40	72.30	—	—
March	72.80	71.70	72.70	72.00
May	72.50	71.50	—	—
July	72.40	71.45	72.05	72.05
Sept	72.55	71.70	72.50	72.50
Dec	72.65	71.75	—	—

COTTON 50,000 lb, cents/lb

	Close	Prev	High	Low
Oct	76.06	76.36	77.00	75.80
Dec	74.55	75.05	75.57	74.50
March	75.20	75.70	76.20	75.15
May	75.77	76.15	76.60	75.75
July	75.77	76.18	76.60	76.20
Oct	68.67	69.00	69.00	69.00
Dec	67.05	67.38	67.40	67.05

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
Sept	21.45	21.47	21.57	21.08
Oct	21.18	21.19	21.28	20.84
Nov	21.03	21.03	21.10	20.72
Dec	20.94	20.96	21.00	20.67
Jan	20.90	20.91	20.89	20.68
Feb	20.88	20.87	20.85	20.67
March	20.83	20.84	20.83	20.85
April	20.80	20.81	20.80	20.58
May	20.76	20.80	20.66	20.63

ORANGE JUICE 15,000 lb, cents/lb

	Close	Prev	High	Low
Sept	127.00	127.00	127.70	127.00
Nov	124.75	125.20	125.80	124.75
Jan	123.85	124.00	124.85	124.10
March	123.85	124.05	124.00	124.00
May	123.95	123.85	124.15	123.80
July	129.30	131.55	131.00	129.75
Sept	124.10	124.30	—	—

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
July	583.9	576.3	579.0	577.5
Oct	587.4	579.9	588.9	579.0
Jan	594.4	586.6	596.0	586.5
April	601.6	593.6	598.0	593.5
July	606.6	600.6	600.5	600.5
Oct	615.5	607.5	—	—

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
August	55.80	55.42	55.75	54.40
Sept	56.15	56.08	56.85	55.10
Oct	56.85	56.79	57.20	55.85
Nov	57.60	57.55	57.70	56.80
Dec	58.35	58.30	58.70	57.50
Jan	58.75	58.85	58.85	58.20
Feb	58.20	58.15	58.70	58.70
March	57.85	57.65	57.85	56.80
April	—	56.45	—	—
May	55.00	55.45	56.20	54.50

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
July	454.8	452.8	—	—
August	455.7	453.7	457.2	453.3
Sept	459.2	456.2	—	—
Oct	461.1	459.0	462.5	459.0
Dec	466.8	464.3	468.0	464.0
Feb	472.1	469.7	473.8	471.5
April	477.6	475.1	478.3	474.4
August	489.3	486.6	490.8	488.8
Sept	493.3	490.7	493.2	491.0
Oct	495.5	492.7	495.7	492.8
Dec	501.7	498.8	502.0	498.5
Feb	508.1	505.1	509.1	506.0

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
July	777.0	770.3	786.0	775.0
August	778.4	771.9	—	—
Sept	783.0	776.5	793.0	774.0
Dec	797.8	790.8	808.6	789.5
Jan	803.2	796.2	—	—
March	812.8	805.6	822.0	809.0
May	823.8	815.9	828.9	828.9
July	834.5	828.4	838.0	828.0
Sept	845.8	837.9	850.0	840.0

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	Prev	High	Low
Sept	5.96	5.88	5.94	5.80
Oct	6.24	6.12	6.25	6.13
Jan	6.50	6.38	6.46	6.45
March	6.85	6.74	6.88	6.73
May	7.06	6.96	7.08	6.91
July	7.19	7.13	7.19	7.06
Oct	7.40	7.30	7.40	7.24

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
August	60.82	60.90	61.20	60.52
Oct	59.28	58.85	59.47	58.60
Dec	61.12	60.80	61.35	60.85
Feb	62.25	62.05	62.37	61.90
April	63.25	63.10	63.50	63.00
June	62.86	62.80	63.05	62.72
August	61.30	61.10	61.60	61.30

LIVE HOGS 30,000 lb, cents/lb

	Close	Prev	High	Low
August	56.67	54.57	56.82	54.60
Oct	46.45	45.65	46.80	45.80
Dec	46.20	46.87	46.60	45.65
Feb	44.87	44.60	45.70	44.40
April	41.90	41.60	41.95	41.30
June	43.42	43.30	43.60	43.10
July	60.30	60.45	61.80	59.95
August	42.65	42.35	42.95	42.65

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	Prev	High	Low
July	158.0	160.2	160.4	156.0
Sept	164.8	165.0	165.4	161.0
Dec	172.8	172.6	173.2	168.4
March	183.0	182.4	183.0	178.0
May	187.6	187.4	188.4	184.2
July	189.6	189.2	190.2	187.0
Sept	188.4	187.8	188.4	185.4

PORK BELLIES 38,000 lb, cents/lb

	Close	Prev	High	Low
July	82.95	82.15	83.00	81.40
August	78.67	76.00	77.50	76.30
Feb	60.17	59.75	60.45	59.25
March	59.95	59.42	60.10	59.10
May	60.60	60.20	60.60	58.60

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	Prev	High	Low
July	536.0	546.0	546.0	532.4
August	527.6	530.4	536.0	520.4
Sept	517.4	519.6	524.0	506.0
Nov	519.4	522.0	526.0	509.0
Jan	529.0	530.4	534.4	518.0
March	536.4	539.0	544.0	527.0
May	544.2	546.4	550.0	535.0
July	544.4	548.2	551.4	518.4
August	539.4	543.0	545.0	533.0

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
July	170.0	173.1	174.2	170.0
August	165.6	166.1	167.2	163.4
Sept	161.6	162.0	163.0	159.0
Oct	159.5	159.5	161.0	158.5
Dec	159.6	160.5	162.0	158.0
Jan	160.0	161.0	162.0	157.5
March	161.4	162.9	163.5	157.8
May	160.5	162.2	163.5	159.0
July	161.0	163.5	162.0	161.0
August	160.5	163.5	160.5	160.5

SOYABEAN OIL 60,000 lb, cents/lb

	Close	Prev	High	Low
July	15.47	16.67	15.75	15.38
August	15.69	15.72	15.82	15.42
Sept	15.81	15.87	15.95	15.59
Oct	15.93	16.00	16.05	15.75
Dec	16.27	16.33	16.40	16.08
Jan	16.45	16.47	16.55	16.30
March	16.75	16.79	16.90	16.60
May	17.05	17.06	17.05	16.90
July	17.23	17.29	17.30	17.10
August	17.27	17.60	17.30	17.25

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	Prev	High	Low
July	252.2	249.0	253.0	248.0
Sept	262.6	256.6	263.4	255.0
Dec	272.6	267.0	273.6	265.2
March	277.0	271.0	277.0	269.0
May	268.0	264.4	268.4	264.0
July	258.0	254.0	260.0	253.4

SPOT PRICES: Chicago loose lard 16.00 (same) cents per pound. Handy and Harman silver bullion 778 (759) cents per troy ounce. New York tin 297-304 (same) cents per pound.

POTATOES

An initial dip was short-lived as April traded nervously in a narrow range, seeing gains of up to £1.70 from the lows. Despite further selling pressure before the morning close values picked up immediately in the afternoon and closed on a firm note, reports Coley and Harper.

Sales: 821 (1,005) lots of 40 tonnes.

Month	Yesterday's close £ per tonne	Previous close	Business done
Nov	97.80	97.80	98.00-97.50
Feb.	108.00	107.50	—
Apr.	138.40	138.20	139.00-136.50
May	151.50	151.50	151.50-149.50

Sales: 1,005 (1,090) lots of 40 tonnes.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel) August		
Arab Light	—	—
Arab Heavy	—	—
Dubai	18.05-18.15	—
Brent Blend	20.00-20.05	—0.325
W.T.I. (1pm est)	21.55-21.60	—0.175
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	197-200	—1
Gas Oil	164-166	—1
Heavy fuel Oil	115-117	—2
Naphtha	175-177	—2

Petroleum Argus estimates

SOYABEAN MEAL

	Yesterd'ys close £ per tonne	+ or —	Business done
August	126.0-127.0	—0.40	127.1-126.5
October	125.5-126.0	—2.60	127.0
Dec	126.5-126.7	—2.40	127.0
Feb	127.5-128.5	—2.00	—
April	128.5-129.5	—2.25	—
May	128.3-128.5	—0.25	—
August	128.5-128.5	—0.25	—

Sales: 117 (139) lots of 20 tonnes.

RUBBER

PHYSICALS—The London market opened about unchanged, found little interest throughout the day and closed quiet, reports Lewis and Peat. Closing prices (buyers): Spot 70.00p (69.50p); Aug 69.25p (68.75p); Sept 69.25p (68.75p). The Kuala Lumpur fob price (Malaysia/Singapore cents) per kg

MEAT

MEAT COMMISSION — Average fatstock prices at representative markets. GB—Cattle 96.89p per kg lw (+0.26). GB—Sheep 193.53p per kg est dcw (+22.07). GB—Pigs 75.07p per kg lw (+2.08). GB—AAPP 96.81p per kg dcw (−0.72).

SUGAR

LONDON DAILY PRICE—Raw sugar $156.60 (£97.20), down $5.80 (down £3.80) a tonne for August-September delivery. White sugar $172.20, down $5.80.

No. 6 Contract	Yest'rdy's close $ per tonne	Previous close	Business done
Aug	155.2-156.2	154.4-155.2	155.5-155.4
Oct	141.0-141.2	159.2-159.4	141.8-157.6
Dec	146.4-147.8	144.2-145.8	—
Mar	158.8-160.8	150.3-151.0	155.8-148.8
May	157.0-157.6	154.8-155.6	155.8-155.0
Aug	162.0-162.8	158.8-160.4	159.8
Oct	164.0-164.4	161.8-166.8	—

Sales: 4,361 (3,637) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £200.50 (£205.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for July 21: Daily price 5.83 (6.08); 15-day average 6.34 (6.37).

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or —	Business done
Aug	166.05	—1.25	168.00-64.25
Sept	167.57	—1.25	170.25-66.00
Oct	170.05	—0.75	172.25-68.75
Nov	173.00	—	175.75-71.00
Dec	174.50	—2.75	—

Turnover: 5,384 lots of 100 tonnes.

Export help for Scots companies

A SERVICE to help small to medium-sized companies in Scotland to break into the European export market has been launched by Glasgow University. Called the European Contracts Information Service, it is offered by the university library.

For an annual payment of £100, plus VAT, subscribers receive, by facsimile or mail, daily details of works and supply contracts offered for tender by the EC in Luxembourg including the supply of uniforms for police forces, disposable medical supplies, office furniture, computer systems, water treatment plants and roads and buildings.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar quiet as pound falls

THE DOLLAR finished around its highest levels of the day, but down slightly from the previous London close, in quiet trading as attention switched to sterling at mid-morning, following the disappointing UK May trade figures.

A rise of 0.4 per cent in June US consumer prices, against 0.3 per cent in May, was in line with market forecasts, but provided the dollar with support, after rumours on Tuesday the figure could be as high as 0.9 per cent.

Trading was nervous as the convoy of US warships and two Kuwaiti tankers, flying US flags, sailed into the Gulf. Rising tension in the Middle East and fears of a confrontation between the US and Iran, added to the dollar's attraction as a safe haven for funds at a time of uncertainty.

Japan's dependence on imported oil also underpinned the dollar against the yen.

The dollar eased to DM 1.8630 from DM 1.8655; to FFr 6.1975 from FFr 6.2025; to SFr 1.5450 from SFr 1.5480; and to Y152.30 from Y152.70.

On Bank of England figures the dollar's index rose to 104.0 from 103.9.

STERLING—Trading range against the dollar in 1987 is 1.8885 to 1.4710. June average 1.6289. Exchange rate index fell 0.3 to 72.6, compared with 69.1 six months ago.

Worse than forecast May UK trade figures weakened sterling yesterday. The pound shed 1 cent as an immediate reaction to the trade figures. It was trading at $1.6040 before the news of a £1.16bn trade deficit and a £561m current account deficit, and fell to $1.5940 soon after. Sterling's exchange rate index weakened to 72.5 at noon, from 72.9 at 11 am.

The market expected a trade deficit of £600m, and the current account to be roughly in balance. As sterling weakened speculation began about a rise in bank base rates. The trade figures, coupled with recent news of high bank lending and buoyant retail sales, appear to rule out any early cut in rates.

Sterling closed 15 points lower on the day at $1.5940-1.5950. It also fell to DM2.97 from DM2.9775; to FFr 9.8825 from FFr 9.90; to SFr 2.4625 from SFr 2.47; and to Y242.75 from Y243.75.

D-MARK—Trading range against the dollar in 1987 is 1.9385 to 1.7690. June average 1.8186. Exchange rate index 146.3 against 148.6 six months ago.

The D-Mark was little chaged against the dollar in Frankfurt. The dollar closed at DM1.8615, compared with DM1.8605 on Tuesday.

There was no expectation the rise to 3.6 per cent from 3.55 per cent in the rate of the Bundesbank's securities repurchase agreement tender would lead to an increase in West German interest rates, in spite of official concern about above target money supply growth.

Mr Helmut Schlesinger, Bundesbank vice president, tended to play down the significance of the higher rate.

The Bundesbank did not intervene when the dollar was fixed at DM1.8601, compared with DM1.8596 previously.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. June average 144.52. Exchange rate index 211.3 unchanged from six months ago.

The yen was little changed against the dollar in Tokyo, closing at Y152.35, compared with Y152.30 on Tuesday. There was good underlying support for the dollar however, which rose from the New York close of Y151.75. This was generally speculative, on fears that tension in the Middle East will develop into a conflict between the US and Iran.

There was no reaction to the comment by Mr Kiichi Miyazawa, Japanese Finance Minister, that current exchange rates are severe for the Japanese economy, or to news the US Senate had passed a bill aimed at making the US more competitive with foreign exporters.

£ IN NEW YORK

July 22	Latest	Previous Close
£ Spot	1.5950-1.5960	1.6020-1.6030
1 month	0.32-0.31 pm	0.33-0.31 pm
3 months	0.85-0.82 pm	0.93-0.91 pm
12 months	2.67-2.57 pm	3.05-2.95 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	July 22	Previous
8.30 am	72.9	72.8
9.00 am	72.9	72.9
10.00 am	72.9	72.8
11.00 am	72.9	72.8
Noon	72.5	72.9
1.00 pm	72.5	72.9
2.00 pm	72.6	72.9
3.00 pm	72.6	72.9
4.00 pm	72.6	72.9

CURRENCY RATES

July 22	Bank rate %	Special Drawing Rights*	European Currency Unit
Sterling	—	0.79088	0.699388
U.S. Dollar	5.5	1.2620	1.11552
Canadian $	7.90	*	1.47327
Austrian Sch.	4	16.4907	14.5989
Belgian Franc	7¼	48.6725	43.0425
Danish Krone	7	8.8985	7.86722
Deutsche Mark	3.0	2.3475	2.07655
Neth. Guilder	4½	22.64265	2.33702
French Franc	9½	7.8137	6.90844
Italian Lira	11.5	N/A	1501.77
Japanese Yen	2½	191.26	169.839
Norway Krone	8	8.55706	7.57664
Spanish Peseta	—	160.591	142.174
Swedish Krona	7½	8.16079	7.21465
Swiss Franc	3.5	1.94602	1.72103
Greek Drach.	20½	177.211	156.714
Irish Punt	—	0.876761	0.774993

*C$/SDR rate for July 21: 1.66792

CURRENCY MOVEMENTS

July 22	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.6	−21.1
U.S. Dollar	104.0	−3.4
Canadian Dollar	79.2	−9.5
Austrian Schilling	137.1	+10.1
Belgian Franc	99.6	−4.7
Danish Krone	91.7	+2.3
Deutsche Mark	146.3	+21.2
Swiss Franc	171.9	+22.3
Guilder	134.3	+14.1
French Franc	71.5	−12.8
Lira	47.1	−18.5
Yen	211.3	+57.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

July 22	£	$
Argentina	3.0625-3.0755	1.9170-1.9240
Australia	2.2450-2.2480	1.4080-1.4090
Brazil	71.8700-72.2600	45.0090-45.2340
Finland	7.1930-7.2055	4.5090-4.5110
Greece	223.10-226.95	139.15-141.50
Hong Kong	12.4615-12.4775	7.8075-7.8085
Iran	118.15*	72.30*
Korea (Sth)	1289.15-1300.80	804.80-811.40
Kuwait	0.45410-0.45460	0.28455-0.28465
Luxembourg	61.50-61.60	38.55-38.65
Malaysia	4.0685-4.0790	2.5495-2.5510
Mexico	2215.05-2238.10	1387.00-1401.00
N. Zealand	2.6125-2.6175	1.6380-1.6400
Saudi Ar.	5.9855-5.9910	3.7505-3.7515
Singapore	3.3785-3.3855	2.1160-2.1170
S. Af. (Cm)	3.2995-3.3155	2.0660-2.0705
S. Af. (Fn)	5.3260-5.5095	3.3335-3.4485
Taiwan	49.60-49.85	31.00-31.10
U.A.E.	5.8615-5.8665	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 22	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0425	+1.38	+0.79	±1.5344
Danish Krone	7.85212	7.87672	+0.31	−0.28	±1.6404
German D-Mark	2.05853	2.07655	+0.88	+0.29	±1.0981
French Franc	6.90403	6.90844	+0.06	−0.53	±1.3674
Dutch Guilder	2.31943	2.33702	+0.76	+0.17	±1.5012
Irish Punt	0.768411	0.774993	+0.86	+0.27	±1.6684
Italian Lira	1483.58	1501.77	+1.23	+1.17	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

July 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5915-1.6045	1.5940-1.5950	0.34-0.31c pm	2.45	1.01-0.96 pm	2.47
Canada	2.1047-2.1205	2.1065-2.1075	0.12-0.02c pm	0.40	0.37-0.25 pm	0.59
Netherlands	3.33¾-3.35	3.34-3.35	1¼-1c pm	4.04	3⅜-3¼ pm	3.89
Belgium	61.44-61.82	61.50-61.60	18-11c pm	2.83	47-36 pm	2.70
Denmark	11.24-11.31½	11.26-11.27	5-5½ ore dis	−5.59	2¼-3 dis	−0.93
Ireland	1.1055-1.1135	1.1070-1.1080	0.01-0.07p dis	−0.33	0.03pm-0.21 dis	−0.33
W. Germany	2.96½-2.98½	2.96½-2.97½	1½-1¼pf pm	5.56	4⅛-3¾ pm	5.30
Portugal	231.13-233.38	231.20-232.10	172-228c dis	−10.36	294-377 dis	−5.82
Spain	203.08-204.35	203.45-203.75	215-271c dis	−14.32	375-457 dis	−8.17
Italy	2142-2157½	2145¾-2146¾	1-4 lire dis	−1.40	3-10 dis	−1.21
Norway	10.81½-10.88¾	10.83¾-10.84¾	8½-9⅛ ore dis	−9.76	12⅞-13⅝ dis	−4.89
France	9.86½-9.91¼	9.87¾-9.88¾	1⅛-1c pm	1.44	3½-2½ pm	1.21
Sweden	10.31¼-10.37¼	10.32¾-10.33¾	3⅝-3⅞ore pm	−4.36	⅛-⅛ dis	1.52
Japan	242¾-244¼	242¼-243¼	1¼-1 y pm	5.56	3⅜-3 pm	5.25
Austria	20.84-20.98	20.86-20.89	9⅝-8¼ gro pm	4.99	26⅞-24½ pm	−4.92
Switzerland	2.45½-2.47¼	2.45¾-2.46¾	1¼-1 c pm	5.48	3½-3¼ pm	5.48

Belgian rate is for convertible francs. Financial franc 61.70-61.80. Six-month forward dollar 1.98-1.93 c pm. 12-month 3.45-3.35c pm.
Correction for July 21, US close; 1.5955-1.5965

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

July 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5915-1.6045	1.5940-1.5950	0.34-0.31c pm	2.45	1.01-0.96 pm	2.47
Ireland†	1.4372-1.4426	1.4375-1.4385	0.36-0.31c pm	2.79	1.05-0.90 pm	2.70
Canada	1.3194-1.3220	1.3200-1.3210	0.21-0.24c dis	−2.04	0.61-0.64 dis	−1.84
Netherlands	2.0900-2.0980	2.0970-2.0980	0.28-0.25c pm	1.52	0.86-0.81 pm	1.60
Belgium	38.45-38.65	38.55-38.65	3pm par	0.47	6-1 pm	0.36
Denmark	7.04-7.07¼	7.06¼-7.06¾	1.10-1.80ore dis	−2.46	4.90-5.60 dis	−2.97
W. Germany	1.8560-1.8640	1.8625-1.8635	0.48-0.45pf pm	3.00	1.43-1.38pm	3.02
Portugal	145¼-145½	145¼-145½	80-115c dis	−8.07	280-330 dis	−8.41
Spain	127.15-127.70	127.45-127.55	120-150c dis	−12.72	320-370 dis	−10.83
Italy	1342-1348	1345¾-1346¼	3.50-4.50lire dis	−3.57	10.50-13.50dis	−3.57
Norway	6.77½-6.80	6.79½-6.80	3.90-4.40ore dis	−7.33	11.95-12.45dis	−7.19
France	6.17½-6.20	6.19½-6.20	0.42-0.52c dis	−0.91	1.55-1.85 dis	−1.10
Sweden	6.46-6.48½	6.47¾-6.48¼	0.95-1.25ore dis	−2.04	3.40-3.80 dis	−2.22
Japan	151.90-152.55	152.25-152.35	0.41-0.38y pm	3.11	1.13-1.08 pm	2.90
Austria	13.05½-13.09¾	13.09¼-13.09¾	3.10-2.70gro pm	2.66	9.00-8.00pm	2.60
Switzerland	1.5390-1.5455	1.5445-1.5455	0.42-0.37c pm	3.07	1.23-1.18 pm	3.13

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.55-38.65

EURO-CURRENCY INTEREST RATES

July 22	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	8¾-8½	8⅝-8¾	9-9⅛	9¼-9⅜	9½-9⅝	9⅞-9¾
U.S. Dollar	6⅞-6⅞	6½-6⅝	6⅝-6¾	6⅞-6⅞	7-7⅛	7⅜-7½
Can. Dollar	8⅜-8⅝	8⅜-8⅝	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	9-9⅛
D. Guilder	5⅛-5¼	5⅛-5¼	5⅛-5¼	5⅜-5⅜	5¼-5⅜	5⅜-5⅜
Sw. Franc	1¼-1⅜	1½-1⅝	3⅞-3⅞	3¾-3⅞	3⅞-4	3⅞-4⅛
Deutschmark	3⅝-3¾	3⅞-3⅞	3¾-3⅞	3⅞-3⅞	3⅞-4⅛	4⅛-4¼
Fr. Franc	7⅛-7⅜	7½-7⅝	7⅞-7⅞	7⅞-8	8¼-8⅜	8⅞-8⅞
Italian Lire	9½-11½	9¾-10¼	10-10½	10¼-10⅝	10½-10⅞	11-11⅜
B. Fr. (Fin.)	6¼-6⅝	6¼-6½	6⅜-6⅞	6⅜-6⅞	6⅞-6⅞	7⅛-7¼
B. Fr. (Con.)	6-6⅜	6-6½	6¼-6⅝	6¼-6⅝	6½-6⅞	6⅞-7⅛
Yen	3¼-3⅜	3¼-3⅞	3⅞-3¾	4-4⅛	4⅛-4⅜	4⅜-4¼
D. Krona	9½-9⅞	9½-9⅞	9⅝-10	9¾-10⅛	10¼-10⅞	10⅝-11
Asian $Sing	2¼-2⅜	N/A	3⅞-4	4⅜-4⅜	4⅜-4⅜	4⅝-4⅞

Long-term Eurodollars: Two years 7⅞-8⅛ per cent; three years 8⅛-8⅝ per cent; four years 8⅝-8⅞ per cent; five years 8¾-9 per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

July 22	£	$	DM	YEN	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
£	1.	1.595	2.970	242.8	9.863	2.463	3.345	2146.	2.107	61.55
$	0.627	1.	1.863	152.3	6.198	1.545	2.098	1346.	1.321	38.60
DM	0.337	0.537	1.	81.73	3.327	0.829	1.126	722.6	0.709	20.72
YEN	4.119	6.568	12.23	1000.	40.71	10.14	13.78	8841.	8.680	253.6
F Fr.	1.012	1.613	3.005	245.6	10.	2.492	3.385	2172.	2.132	62.28
S Fr.	0.406	0.648	1.206	98.58	4.013	1.	1.358	871.6	0.856	24.99
H FL	0.299	0.477	0.888	72.57	2.954	0.736	1.	641.6	0.630	18.40
Lira	0.466	0.743	1.384	113.1	4.605	1.147	1.559	1000.	0.982	28.68
C $	0.475	0.757	1.410	115.2	4.690	1.169	1.588	1029.	1.	29.22
B Fr.	1.625	2.591	4.825	394.4	16.06	4.001	5.435	3487.	3.423	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts down on trade figures

THREE-MONTH sterling and long gilt futures fell sharply in the London International Financial Futures Exchange, following worse than expected trade figures. A current account deficit of £516m was around £500m outside expectations and prompted heavy liquidation of positions.

Already less than happy after Monday's bank lending figures, the September long gilt price opened at 122-27 against 122-28 on Tuesday and traded in a range of 122-18 to 122-26 before the figures were announced. The latter caused a sharp fall from 122-20 to 121-16, brushing aside resistance levels and prompting fears of further significant losses. The contract hit a low of 120-12 before coming back to close at 120-26.

Some dealers suggested that the reaction had been overdone and that buying opportunities at these levels could provoke oversas interest today.

Three-month sterling deposits acted in much the same way, slipping quickly from 90.64 to 90.44 for September delivery, having opened at 90.67. It touched a low of 90.24 before closing at 90.34 down from 90.68 on Tuesday. While less than a week ago base rates were considered due for a fall, there were already some traders looking for a rise after this week's poor economic data. However, others suggested that the market had overreacted

US Treasury bonds opened on a weaker note following a sharp reversal in Chicago. This stemmed from a late rumour that yesterday's US consumer prices would show a rise of 0.9 per cent, sparking off fears of renewed inflation.

Consequently the September price in London opened at 90-23 down from 91-14 and by late morning had slipped to 90-17. A CPI figure showing a 0.4 per cent rise provided a brief fillip back to 90-30 but the rally quickly ran out of steam and in the absence of any fresh demand, values slipped away to a low of 90-06 before closing at 90-15.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
116	4.59	5.46	0.07	1.02
118	3.08	4.21	0.20	1.41
120	1.45	3.11	0.57	2.31
122	0.48	2.14	1.60	3.34
124	0.17	1.32	3.29	4.52
126	0.06	0.62	5.18	6.18
128	0.02	0.38	7.14	7.58
130	0.00	0.22	9.12	9.42

Estimated volume total, Calls 5,101 Puts 4,971
Previous day's open int: Calls 26,502 Puts 18,120

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
84	6.33	6.11	0.03	0.45
86	4.41	4.44	0.11	1.14
88	2.63	3.27	0.33	1.61
90	1.39	2.25	1.09	2.59
92	0.36	1.38	2.06	4.08
94	0.11	1.01	3.45	5.35
96	0.02	0.40	5.36	7.10
98	0.00	0.23	7.34	8.57

Estimated volume total, Calls 60 Puts 1,570
Previous day's open int: Calls 2,036 Puts 979

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last July	Calls—Last Aug.	Puts—Last July	Puts—Last Aug.
23250	4.04	7.23	0.04	3.23
23500	1.88	5.79	0.38	4.29
23750	0.54	4.55	1.54	5.55
24000	0.08	3.50	3.58	7.00
24250	0.01	2.64	6.01	8.64
24500	0.00	1.95	8.50	10.45
24750	0.00	1.41	1.00	12.41
25000	0.00	0.99	3.50	14.49

Estimated volume total, Calls 53 Puts 21
Previous day's open int: Calls 225 Puts 172

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

[illegible]

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

LIFFE—EURODOLLAR OPTIONS

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT

[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT BOND

[illegible]

THREE-MONTH STERLING

[illegible]

FT-SE 100 INDEX

[illegible]

THREE-MONTH EURODOLLAR

[illegible]

U.S. TREASURY BONDS 8%

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

[illegible]

U.S. TREASURY BILLS (IMM)

[illegible]

JAPANESE YEN (IMM)

[illegible]

DEUTSCHE MARK (IMM)

[illegible]

THREE-MONTH EURODOLLAR (IMM)

	Latest	High	Low	Prev.
June	91.99	92.07	91.96	92.03
Sept.	91.77	91.84	91.73	91.82
Dec.	91.54	91.63	91.53	91.61
Mar.	91.33	91.42	91.32	91.40
June	91.14	91.22	91.12	91.20

SWISS FRANC (IMM)

[illegible]

STANDARD & POORS 500 INDEX

$500 times index

	Latest	High	Low	Prev.
Sept.	309.45	310.00	308.45	309.90
Dec.	312.05	312.45	311.00	312.55
Mar.	314.40	314.50	313.65	314.85
June	316.80	317.35	320.32	317.25

CURRENCY FUTURES

[illegible]

MONEY MARKETS

UK interest rates up

LONDON RATES rose sharply yesterday after the release of disappointing trade figures. Monday's poor bank lending figures had softened up the market and yesterday's $1.16bn visible deficit and £516m current account deficit provided the knock-out punch. Three-month interbank money rose from an opening level of 9¼-9⅛ per cent to 9½-9⅜ per cent before settling back to finish at 9⅜-9¼ per cent up from 9¼-9⅛ per cent on Tuesday.

Sterling also suffered and this added to the defensive mood of the market.

UK clearing bank base lending rate 9 per cent since May 8

Overnight money opend at 9¼ per cent and discount houses were anxious to see how the authorities would be handling the shortage caused by BAA applications. As it happened enough paper was readily sold to cover the shortage and late balances were taken down to 4 per cent.

The Bank of England forecast a shortage of around £850m, considerably more than had been expected. Factors affecting the market included the repayment of any late assistance and bills maturing in official hands together with a take up of Treasury bills draining £472m and Exchequer transactions a further £380m. There was also a rise in the note circulation of £145m. These were partly offset by banks' balances brought forward £130m above target. The shortage included those funds payed over to the Bank in respect of BAA share applications and the Bank, made it clear that this would be handled through its normal bill operations.

The forecast was revised to a shortage of around £750m and assistance in the morning totalled £752m. This comprised outright purchases of £1m of eligible bank bills in band 1. In band 3 it bought £35m of Treasury bills and £373m of eligible bank bills, and in band 4 £156m of Treasury bills, £32m of local authority bills and £155m of eligible bank bills all at 8⅞ per cent.

Another revision took the forecast back to £850m and the Bank gave additional help in the afternoon of £102m through outright purchases of £79m of eligible bank bills in band 1 and £23m in band 2 all at 8⅞ per cent. Total help came to £854m.

The West German Bundesbank accepted bids of DM 12.8bn at yesterday's sale and repurchase agreement at a rate of 3.6 per cent. This was up from 3.55 per cent at the previous tender but had been expected to some extent due to the strong demand for funds, borne out by applications in excess of DM 30bn. Yesterday's facility coincided with a maturing agreement which drained DM 8.1bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 22) 3 months U.S. dollars: bid 6⅞ — offer 6⅞

6 months U.S. dollars: bid 7 — offer 7⅛

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

[illegible]

LONDON MONEY RATES

[illegible]

Public Notices

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 22 1987					TUESDAY JULY 21 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	146.51	−0.6	136.23	137.25	2.88	147.45	136.98	138.38	148.14	99.92	75.17
Austria (16)	100.67	+0.0	93.61	97.35	2.13	100.63	93.48	97.18	101.62	85.53	86.89
Belgium (48)	125.60	−0.1	116.79	119.56	4.00	125.69	116.76	119.80	126.72	96.19	81.42
Canada (132)	136.33	−0.5	126.77	130.36	2.14	137.00	127.27	131.05	138.59	100.00	95.34
Denmark (39)	112.44	−0.1	104.55	108.05	2.56	112.57	104.57	108.32	124.10	98.18	93.10
France (121)	105.69	+0.3	98.28	102.75	2.75	105.42	97.93	102.56	121.82	98.39	86.86
West Germany (92)	98.02	−0.5	91.14	94.94	1.99	98.47	91.47	95.50	100.33	84.00	78.94
Hong Kong (45)	135.30	+0.9	125.80	135.63	2.67	134.13	124.60	134.45	135.36	96.89	72.65
Ireland (14)	139.61	+0.1	129.81	136.80	3.27	139.42	129.51	136.71	145.41	99.50	91.89
Italy (76)	97.56	+0.4	90.71	98.07	1.84	97.18	90.27	97.83	112.11	93.47	85.84
Japan (458)	123.93	−1.3	115.23	119.31	0.64	125.51	116.59	121.15	161.28	100.00	89.29
Malaysia (36)	184.55	−0.9	171.59	181.26	2.07	186.29	173.05	182.83	186.58	98.24	77.43
Mexico (14)	298.21	−0.2	277.28	454.51	0.66	298.88	277.64	454.88	301.54	99.72	53.52
Netherland (38)	126.71	−0.7	117.81	121.30	3.64	127.60	118.53	122.30	127.97	99.65	89.72
New Zealand (26)	109.38	−0.1	101.70	95.20	3.05	109.44	101.67	95.75	109.44	83.93	73.45
Norway (24)	149.96	−1.0	139.44	138.36	1.97	151.48	140.72	139.71	152.14	100.00	95.47
Singapore (27)	163.66	−0.2	152.18	159.63	1.55	163.97	152.32	160.31	163.97	99.29	76.57
South Africa (61)	178.67	−1.1	166.13	132.42	3.16	180.59	167.76	131.61	186.74	100.00	72.43
Spain (43)	128.07	−0.5	119.08	123.70	3.26	128.65	119.51	124.21	128.90	100.00	83.46
Sweden (33)	117.50	−1.2	109.25	112.71	2.05	118.92	110.47	114.08	124.68	90.85	90.83
Switzerland (53)	102.65	+0.4	95.45	98.33	1.68	102.22	94.95	98.10	104.06	92.01	79.87
United Kingdom (336)	152.96	−1.9	142.22	142.22	3.06	155.95	144.87	144.87	162.87	99.65	94.94
USA (591)	125.88	+0.0	117.04	125.88	2.88	125.94	116.99	125.94	128.24	100.00	99.95
Europe (933)	124.19	−1.0	115.48	118.26	2.75	125.43	116.52	119.45	128.35	99.78	87.81
Pacific Basin (686)	125.18	−1.2	116.40	120.45	0.82	126.66	117.66	122.18	158.77	100.00	88.19
Euro—Pacific (1619)	124.84	−1.1	116.08	119.60	1.59	126.22	117.25	121.11	143.65	100.00	88.04
North America (723)	126.44	−0.1	117.57	126.15	2.84	126.53	117.54	126.25	128.80	100.00	99.70
Europe Ex. UK (597)	106.34	−0.1	98.88	103.29	2.47	106.48	98.92	103.55	107.75	98.02	83.53
Pacific Ex. Japan (228)	140.60	−0.1	130.73	134.28	2.72	140.74	130.74	134.60	140.96	99.92	74.38
World Ex. US (1826)	125.94	−1.1	117.10	120.37	1.63	127.30	118.25	121.82	143.38	100.00	87.10
World Ex. UK (2081)	123.23	−0.5	114.58	120.58	2.00	123.87	115.07	121.33	133.61	100.00	91.84
World Ex. So. Af. (2356)	125.53	−0.7	116.72	122.47	2.11	126.38	117.40	123.41	135.02	100.00	92.15
World Ex. Japan (1959)	126.83	−0.4	117.93	124.15	2.80	127.34	118.29	124.64	129.24	100.00	93.95
The World Index (2417)	125.87	−0.7	117.04	122.58	2.12	126.73	117.72	123.51	135.15	100.00	92.02

Base values: Dec 31, 1986 = 100

EUROPEAN OPTIONS EXCHANGE

Series		Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	Stock
GOLD C	$440	2	21	148	34.50	2	44.70	$455.70
GOLD C	$460	27	7.80	61	22.50	17	33.40	"
GOLD C	$480	116	3.70	422	14.20B	—	—	"
GOLD P	$370	—	—	969	0.70	—	—	"
GOLD P	$380	84	0.10	—	—	—	—	"
GOLD P	$400	1	0.10	20	2	—	—	"
GOLD P	$440	50	2.20	5	7.50	—	—	"
GOLD P	$460	51	10.30	—	—	—	—	"
		Sep 87		Dec 87		Mch 88		
SILVER C	$600	—	—	20	215	—	—	$782
SILVER C	$800	2	50B	—	—	12	130	"
SILVER C	$900	—	—	52	60B	—	—	"
		Aug 87		Sep 87		Oct 87		
$/FL C	FL205	55	4.70	36	5.10	7	5.40B	FL209.55
$/FL C	FL210	167	2.20	87	2.60	—	—	"
$/FL C	FL215	—	—	3	1.30	10	1.50	"
$/FL P	FL200	—	—	1	0.70	—	—	"
$/FL P	FL205	—	—	24	1.85	5	2.70	"
$/FL P	FL210	36	3	11	3.50A	—	—	"
$/FL P	FL225	—	—	20	16.50	—	—	"
		Dec 87		Mch 88		Jun 88		
$/FL C	FL195	—	—	10	14.30	—	—	FL209.55
$/FL C	FL200	—	—	22	10.50	—	—	"
$/FL C	FL205	62	6.70	4	8	—	—	"
$/FL C	FL210	7	4.60	10	5.90	20	6.70	"
$/FL C	FL215	7	3	10	3.80	—	—	"
$/FL P	FL200	40	2.60	5	4.50	—	—	"
$/FL P	FL205	15	4.40B	1	6.20	—	—	"
		Oct. 87		Jan. 88		Apr. 88		
ABN C	FL520	324	9.10	16	18	—	—	FL493
ABN P	FL480	106	13	11	15.50B	—	—	"
AEGON C	FL100	213	3	12	5.30A	3	8	FL96.20
AEGON P	FL95	51	4.10	9	4.90	—	—	"
AHOLD C	FL110	23	4.10	—	—	—	—	FL107.50
AHOLD P	FL105	5	4	10	5.30	—	—	"
AKZO C	FL170	465	8.70	44	12.70	29	17	FL167
AKZO P	FL160	252	4.60	43	7.50	—	—	"
AMEV C	FL70	408	2.50A	55	4	21	6	FL66.20
AMEV P	FL65	65	2.60	5	3.50B	—	—	"
AMRO C	FL85	513	3.40	110	6	20	6.50B	FL83.50
AMRO P	FL80	241	2.50	17	3.30	75	4.50	"
ELSEVIER P	FL56	261	4.40	—	—	—	—	FL54.80
GIST-BROC. C	FL50	236	3.90	280	5.10	1	7.30	FL50
HEINEKEN C	FL190	235	10.70	6	14.50	—	—	FL192
HEINEKEN P	FL190	73	6.20	7	8.20B	—	—	"
HOOGOVENS C	FL45	159	4.20	55	6	—	—	FL45.60
HOOGOVENS P	FL45	213	3.50	50	4.10	2	5	"
KLM C	FL55	508	1.90	36	3.30	14	4.50	FL52
KLM P	FL45	185	0.80	—	—	—	—	"
NEDLLOYD C	FL150	39	8.70	49	13	—	—	FL149.50
NEDLLOYD P	FL140	48	5.80	15	8	—	—	"
NAT.NED. C	FL80	1490	3.10	129	5.10	18	7	FL77.60
NAT.NED. P	FL80	255	5.30	200	6	10	6.50B	"
PHILIPS C	FL60	1246	1.80	241	2.90	94	3.90	FL54.60
PHILLIPS P	FL55	433	3.20	104	4.10B	95	5.20	"
ROYAL DUTCH C	FL290	1120	9.50	76	14.50	18	19.50	FL289
ROYAL DUTCH P	FL270	376	4	64	5.30	7	7.40	"
UNILEVER C	FL144	406	5.20	141	8	—	—	FL140.20
UNILEVER P	FL120	284	0.40	—	—	—	—	"

TOTAL VOLUME IN CONTRACTS: 40,852

A=Ask B=Bid C=Call P=Put

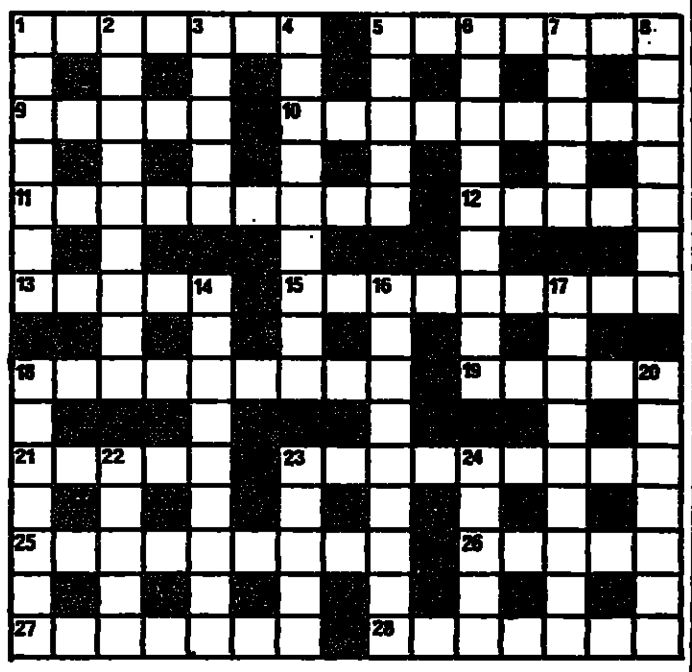
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	‡9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	9½
American Exp. Bk	9	Consolidated Cred	9	Provincial Trust Ltd	10
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	9½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	9	Equat'r'l TstC'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Williams Secs	9
Banco de Bilbao	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	‡9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank. Corp	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambro Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Canada Permanent	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mount Credit Corp. Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Savewise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

FT CROSSWORD PUZZLE No. 6,385

DINMUTZ



ACROSS

1 Dog Star (7)
5 Half sea-fare from Dublin? (7)
9 One stepping out is run over on way back (5)
10 Having trouble with joints, runny cold and a twitch (9)
11 Suction-device useful in 'eart 'ospital? (9)
12 Wandering loner to sign on (5)
13 Diminished energy was yours once (5)
15 This way, Ma insured Nanny (9)
18 Schooner, for example, not right for port (9)
19 Many, engulfed by gin, become vagrant (5)
21 Thatcher's successor? (5)
23 Operatic spectacles set by Handel, we hear (9)
25 Long tedious business to equip Mum with part (9)
26 Boadicea's chariot-race? (5)
27 Chooses ends (7)
28 The rate of exchange in Phoenix, for example (7)

DOWN

1 Frozen dessert of standard achieved in France (7)
2 Nice point about beginning of project (9)
3 One who drinks like a fish—right? (5)
4 Land of Hope (9)
5 Hail in Brighton, they say (5)
6 Well qualified to challenge scripture (9)
7 More modern to take tea-assortment in both hands (5)
8 How litter is treated? (7)
14 A right, in this demi-paradise, to put on bloomers (9)
16 Sudden increase in rent coming up again (9)
17 Isolated fellows take time in flat (9)
18 Treated with hose, we tread carefully (7)
20 Control of rare spider over centre of web (7)
22 Reason for giving record to Olympic finalists (5)
23 The British in pride? (5)
24 Rumour of inferno is ever-present (5)

Solution to Puzzle No. 6,384

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CHARMS■REVEREND
E■S■A■■■N■N■L■U
MATURE■EVILDOER
E■E■O■I■Y■I■P■E
TORTOISE■ASSESS
E■I■N■O■A■T■D■S
ROSE■CLASSES■■■
Y■K■M■A■S■O■P■I
■■■ROSTRUM■LION
S■P■D■E■R■P■T■F
AMUSED■SENORITA
C■P■R■M■D■L■L■N
REPEATER■DIVEST
U■E■T■R■■■S■S■R
MATTERED■WHISKY
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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

	Bid Price	Offer Price	+ or −	Yield Gross

Abbey Unit Tst. Mngrs. (a)
80 Holdenhurst Rd, Bournemouth 0345 717373
[illegible]

AEtna Unit Trusts Ltd(a)(b)(c)
401 St John St, London EC1V 4QE 01-837 6494
[illegible]

Brown Shipley & Co Ltd (a)(g)
9-17 Perrymount Rd, Haywards Hth 0444 412262/3/4/5
[illegible]

Brycourt Unit Trust Mgmt Ltd(a)(c)(d)
[illegible]

Buckmaster Management Co Ltd (a) (c)
The Stock Exchange, London EC2P 2JT
[illegible]

Burrage Unit Trust Mngmt Ltd
117 Fenchurch St, London EC3M 5AL
[illegible]

CCL Unit Trusts Limited
74, Shepherds Bush Green, Ldn, W12 8SQ 01-740 7070
[illegible]

CS Fund Managers Limited
125 High Holborn, London WC1V 6PY
[illegible]

Canada Life Unit Trust Mngrs. Ltd
2-6 High St, Potters Bar, Herts 0707 51122
[illegible]

FS Investment Managers Ltd
190 West George St, Glasgow
[illegible]

Fidelity Investment Services Ltd
River Walk, Tonbridge
[illegible]

Robert Fleming & Co Ltd
25 Copthall Ave, London
[illegible]

Framlington Group
3 London Wall Bldgs, EC2
[illegible]

[illegible]

ملنا من الأصل

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2860

American Growth	111.8	118.3	-1.2	0.71
(Accum Units)	117.1	123.9	-1.3	0.71
British Blue Chip Fund	52.8	55.9	—	2.19
(Accum Units)	52.8	55.9	—	2.19
American Sm Cos Fd	33.6	35.7	-0.3	0.44
(Accum Units)	33.6	35.7	-0.3	0.44
American Income	52.0	55.0	-0.3	3.67
(Accum Units)	56.7	60.0	-0.3	3.67
European Growth	149.2	157.8	-0.5	2.09
(Accum Units)	154.4	163.3	-0.6	2.09
European Income	82.5	87.3xd	-0.4	3.80
(Accum Units)	86.5	91.5xd	-0.4	3.80
General	390.9	413.6	-2.4	2.45
(Accum Units)	649.2	686.9	-4.1	2.45
Gilt	88.8	89.2	+0.0	7.43
(Accum Units)	105.5	106.0	-0.1	7.43
Global Fund	50.1	53.0	-0.3	0.68
(Accum Units)	50.1	53.0	-0.3	0.68
High Interest Fund	47.8	50.5xd	+0.2	8.90
(Accum Units)	49.1	50.5xd	+0.2	8.90
High Income Fund	54.8	57.9xd	+0.0	4.39
(Accum Units)	55.6	58.8xd	+0.0	4.39
Income	130.1	137.4	-0.3	2.94
(Accum Units)	149.1	157.7	-0.4	2.94
International	290.8	307.7xd	-1.7	1.09
(Accum Units)	363.9	385.0xd	-2.1	1.09
Japan	183.3	193.9	-5.4	0.53
(Accum Units)	188.1	199.0	-5.4	0.53
Pacific Fd	58.0	61.5	-0.1	0.10
(Accum Units)	58.0	61.5	-0.1	0.10
Recovery	324.5	343.3	-3.4	1.35
(Accum Units)	352.0	373.3	-3.7	1.35
UK Smaller Co's Fd	55.9	59.1	+0.0	1.71
(Accum Units)	55.9	59.1	+0.0	1.71
Exempt	362.8	372.3	-9.3	2.21
(Accum Units)	569.6	584.3	-13.5	2.21

Merlin Fund Mngmnt Ltd
33 King William St, London EC4R 9AS 01-638 5678

Merlin July 7	569.6	584.2	—	2.21

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ 0707 45194

UK Income Fund	65.5	69.6	-0.1	4.31
Accum Units	65.5	69.6	-0.1	4.31
UK Growth Fund Acc	64.9	69.0	—	1.45
Global Income Fund	49.3	52.4	-0.1	3.82
Accum Units	49.3	52.4	-0.1	3.82
Global Growth Fund	45.2	48.1	-0.1	0.52

Midland Bank Group UT Mngrs. Ltd

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn Unit Line 0800 010345

Holborn Comm Tst	81.8	86.5xd	-0.4	0.35
Holborn Equity Income	76.4	80.5	+0.1	5.18
Holborn Equity Tst	616.5	652.5	-0.6	2.07
Holborn European Tst	119.7	126.6	+0.2	0.66
Holborn Gilt Tst	214.8	224.8	-0.1	2.13
Holborn High Inc Tst	92.5	97.8xd	+0.1	4.01
Holborn Intl Grth Tst	119.5	126.4xd	-0.4	
Holborn Japanese Tst	115.1	121.6	-1.9	0.05
Holborn N. Amer. Tst	96.1	101.6	-0.6	0.48
Holborn Sm Cos Tst	82.5	87.3	-0.1	1.35
Holborn Spec Sits Tst	107.9	114.1xd	+0.2	1.38
Holborn UK Growth Tst	123.0	130.1	+0.1	1.44

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	705.8	744.9	—	1.31
Quadrant Income	350.5	371.0xd	—	5.88
Quadrant Intl. Fund	457.0	483.7	—	1.03
Quadrant Spec. Sits	497.3	526.3	—	1.25

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	253.3	269.4	+0.8	2.14
Reliance Unit Tst (Inc)	178.3	189.6	+0.6	1.70
Reliance Ut Tst (Acc)	259.9	275.1	+1.0	1.70

Rowsberry Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030
Internat. Growth Trust 50.1 52.7 -0.5 1.5

N.M. Rothschild Fund Mngmt
St Swithin's Lane, London EC4 01-634 2901/4

NC America (Inc)	328.2	349.3xd	-3.2	0.77
NC America (Acc)	362.1	385.2	-3.5	0.77
NC Inc Fd	132.0	140.4	+0.1	2.66
NC Japan Fd	189.6	201.0	-0.7	—
NC Major UK Cos Fd	74.0	78.7xd	—	1.53
NC Smllr Australian	90.4	96.7	+0.1	0.48
NC Smllr Canadian CoFd	49.5	52.6	+0.1	0.98
NC Smaller Cos	242.3	258.7	—	0.86
NC Smaller European	194.7	207.1	+0.2	0.46
NC Prop.*	157.2	171.8	—	(z)

*Unauthorised Unit Trusts
For Rowan see Merlin

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)
St George's Way, Stevenage 0438 356101

Managed	461.1	485.4	—	—
Property	280.4	295.2	—	—
Equity	601.4	633.0	—	—
Gilt Edged	369.6	389.0	—	—
Deposit	204.5	215.3	—	—
Investment	256.8	269.7	—	—
International	423.2	445.5	—	—
Pension Fund Prices				
Managed Init.		334.5	—	—
Do. Accum.		409.8	—	—
Property Init.		264.2	—	—
Do. Accum.		299.0	—	—
Equity Init.		491.3	—	—
Do. Accum.		551.8	—	—
Gilt-Edged Init.		255.6	—	—
Do. Accum.		288.5	—	—
Guaranteed Init.		158.0	—	—
Do. Accum.		193.6	—	—
International Init.		503.8	—	—
Do. Accum.		616.5	—	—
Index Lk. Gilt Init.		139.1	—	—
Do. Accum.		170.2	—	—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	301.9	+0.0	—
Property Pens.	392.8	+0.2	—
Equity	209.8	-1.5	—
Equity Pens.	954.0	-8.5	—
Money Market	312.6	-2.1	—
Money Mkt. Pens.	560.8	-3.7	—
Deposit	236.9	+0.1	—
Deposit Pens.	377.1	+0.1	—
Managed	304.8	-1.6	—
Managed Pens.	591.0	-4.0	—
Ind. Equity	352.3	-1.2	—
Do Pens.	570.6	-2.8	—
Ind Managed	324.6	-1.5	—
Do. Pens.	482.7	-2.9	—
North American	133.2	-0.5	—
Do. Pens.	153.1	-0.8	—
Far East	288.3	-0.9	—
Do. Pens.	420.4	-0.8	—
Intnl. Currency	174.2	+0.0	—
Do. Pens.	227.6	+0.1	—
Index Linked	133.8	-0.6	—
S & C Managed Fd	146.4	-0.8	—
S & C Pens Mngd Fd	119.5	-0.8	—
Trustlink Life Funds			
Per Worldwide Rec.	167.6	-0.4	—

National Provident Inst.—Contd.

Far East Initial	464.0	488.5	-1.4	—
Far East	554.8	584.1	-1.9	—
Prop. Initial	140.4	147.8	+0.1	—
Prop	167.9	176.8	+0.1	—
Fixed Int. Initial	188.9	198.9	-0.8	—
Fixed Int.	226.1	238.0	-0.9	—
Indexed Gilt Initial	104.9	110.5	+0.3	—
Indexed Gilt	124.3	130.9	+0.4	—
Deposit Initial	134.6	141.7	—	—
Deposit	162.7	171.3	+0.1	—
NPI Pensions Management Ltd				
Managed Fund	1952.2	969.2	—	—

Prices July 1. Next dealing August 3.

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

NUAM Funds				
Managed Fund	58.1	62.3	-0.2	—
Stock Market Mngd Fund	59.7	62.9	-0.2	—
Equity Fund	66.5	70.1	—	—
International Fund	54.0	56.9	-0.3	—
European Fund	57.5	60.6	-0.2	—
North American Fund	51.0	53.7	-0.2	—
Pacific Fund	59.9	63.1	-0.4	—
Property Fund	50.7	53.4	—	—
Fixed Interest Funds	49.8	52.5	-0.6	—
Index Linked Sec Fund	46.4	48.9	+0.1	—
Deposit Fund	50.8	53.5	—	—
NUAM Retirement Plans				
Mixed Fund	63.0	66.4	-0.2	—
UK Ordinary Share	77.5	81.6	-0.3	—
International Fund	55.8	58.8	-0.1	—
Property Fund	51.7	54.5	—	—
Fixed Interest Fund	52.2	55.0	-0.2	—
Index Linked Sec Fund	46.4	48.9	-0.2	—
Deposit Fund	52.7	55.5	—	—
NUAM (MF)				
Managed Fund	796.6	838.6	-2	—
Equity Fund	1777.9	1871.5	-1.2	—
Property Fund	315.6	332.3	—	—
Fixed Interest Fund	366.9	386.3	-4.9	—
Deposit Fund	207.3	218.3	—	—
International Fund	140.2	147.6	-0.7	—
Index Linked Sec Fund	46.4	48.9	+0.1	—

Norwich Union Life Insurance Soc.
PO Box 4, Norwich NR1 3NG 0603 622200

Pensionvestor & Unit-Linked Plus				
Fixed Interest Fund	261.0	274.7	-0.8	—
Index-Linked Sec Fund	131.6	138.5	+0.5	—

Provident Mutual Life Assc.—Cont.

Provincial Life Assurance Co Ltd

Royal Heritage Life Assur.—Contd.

Skandia Life Assur.—Contd.

Target Life Assurance—Cont.

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	1987 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
101¾	100⅛	Treas. 12pc 1987	100⅝	−⅛	11.93	9.30
99	97	Treas 7¾pc 1985-88‡‡	99 xd	−⅛	7.77	8.20
102¾	99	Exch 10½pc '88	100	−⅛	10.42	9.43
101	98	Treas 9¾pc Cv '88	100	−⅛	9.73	9.44
97	93	Transport 3pc '78-88	96	−¼	3.09	6.21
101⅝	98	Treas. 9½pc '88	100	−⅛	9.49	9.39
105	101	Treas 11½pc 1989	102 xd	−⅛	11.17	9.41
102	97	Treas 9½pc Cnv 1989	100	−½	9.49	9.41
94	89¾	Treas 3pc 1989	94	−½	3.18	6.40
104⅝	99	Treas 10½pc 1989	101	−⅛	10.32	9.46
103	98¼	Exch 10pc 1989	100 xd	−¼	9.91	9.50
105¼	100⅝	Exch 11pc 1989	102	−⅛	10.69	9.46
95	89	Treas 5pc 1986-89	94	−⅛	5.27	7.48
108	100⅞	Exch 10½pcCv '89	103⅛	−1	10.00	8.99
111	105⅝	Treas 13pc 1990‡‡	107	−⅛	12.10	9.51
106½	100	Exch 11pc 1990‡‡	103 xd	−¼	10.66	9.55
110	104	Exch. 12½pc 1990	106¾	−¼	11.72	9.57
91	84⅞	Treas. 3pc 1990	90	−⅛	3.70	6.60
100	93	Treas 8¼pc 1987-90‡‡	98¼	−⅛	8.39	8.91
105	97½	Treas. 10pcCv 1990	101¼	−⅛	9.88	9.53
89	81	Exch 2½pc 1990	88	−⅛	2.82	6.33
110½	103¾	Treas 11¾pc 1991	106	−⅛	11.03	9.48
95	87¼	Funding 5¾pc '87-91‡‡	92⅞	−¼	6.15	7.82
89	80¾	Treas. 3pc 1991	88	−⅛	3.40	6.55
110⅝	100	Treas 10pc Cv '91 ‡‡	103½	−1¼	9.66	8.92
109⅝	101⅞	Exch. 11pc 1991	105⅝	−⅛	10.46	9.48
—	—	Treas 8pc 1991 (£20pd)●	£97¼	.....	8.23	8.78
116	108	Treas 12¾pc 1992‡‡	111	−1½	11.42	9.48
106	97	Treas 10pc 1992	101⅞ xd	−1⅛	9.81	9.45
99⅝	94⅞	Treas. 8pc 1992 ‡‡	94⅞	−1⅛	8.15	8.47
108	99	Treas 10½pc Cv 1992‡‡	104	−⅛	10.10	9.43
85⅝	85	Treas. 3pc 1992	85	−⅛	3.50	6.46
		Five to Fifteen Years				
115¾	106⅛	Exch. 12¼pc '92	110 xd	−1⅛	11.05	9.49
121	111¼	Exch 13½pc 1992	115⅝	−1⅛	11.70	9.61
107	97	Treas 10pc 1993‡‡	102	−1⅛	9.78	9.47
118	108	Treas 12½pc 1993‡‡	113	−1⅛	11.04	9.52
95¾	82¼	Funding 6pc 1993‡‡	90	−⅛	6.63	7.98
125	114	Treas 13¾pc 1993‡‡	119	−1⅛	11.55	9.62
129	119	Treas 14½pc 1994‡‡	123¼	−1¼	11.74	9.59
124	113	Exch 13½pc 1994 ‡‡	118	−1⅛	11.39	9.68
107⅝	97	Treas. 10pc Ln. 1994	102	−1⅛	9.75	9.46
120	109¼	Exch. 12½pc 1994	114 xd	−1⅛	10.96	9.69
103¾	92	Treas 9pc 1994‡‡	98¼	−1¼	9.15	9.29
118¾	107⅝	Treas 12pc 1995	112¼ xd	−1⅛	10.71	9.68
82	76	Exch 3pc Gas 90-95	82	−⅛	3.73	6.18
109	98	Exch. 10¼pc 1995	103½	−1⅛	9.91	9.61
129	112	Treas 12¾pc 1995‡‡	117½	−1⅛	10.88	9.66
130	118⅞	Treas. 14pc '96	124	−1⅛	11.32	9.81
102	92	Treas. 9pc 1992-96‡‡	98	−1⅛	9.29	9.41
139	126¾	Treas 15¼pc 1996‡‡	132	−1⅛	11.56	9.74
127	116	Exch 13¼pc 1996‡‡	121	−1⅛	10.98	9.68
89	81¼	Redemption 3pc 1986-96	85	−½	3.48	4.58
108	96	Conversion 10pc 1996	102	−1⅛	9.77	9.59
128	116½	Treas 13¼pc 1997‡‡	121¼	−1⅛	10.91	9.72
111	100	Exch 10½pc 1997	105 xd	−1⅛	9.96	9.62
101	90⅛	Treas 8¾pc 1997‡‡	95	−1⅛	9.18	9.44
100¼	90½	Treas. 8¾pc '97 'B' ‡‡	95	−1⅛	8.75	8.75
140	126⅞	Exch 15pc 1997	132⅞	−1⅛	11.35	9.91
106	95⅝	Exch. 9¾pc 1998	100¼	−1⅛	9.67	9.60
88	78	Treas 6¾pc 1995-98‡‡	84½	−1¼	8.06	9.13
145	132	Treas. 15½pc '98‡‡	138⅛	−1⅛	11.24	9.82
122	109	Exch. 12pc 1998	115	−1⅛	10.39	9.69
106	95	Treas 9½pc 1999‡‡	100⅝	−1⅛	9.44	9.40
129	111	Exch. 12¼pc 1999	117	−1⅛	10.42	9.69

BRITISH FUNDS—Contd

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for November 1986: 99.79 and for June 1987: 101.9 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1987 High	1987 Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.	53 xd	.....	3.50	16.60
50	40	Do. 6pc 28 Stb. Ass.	50	.....	3	16.00
47	45	Do 4pc Mixed Ass.	47		2	14.26
66	58	Hung. '24 Ass.	65		2.75	14.23
146½	122⅞	Hydro Quebec 15pc 2011	137⅝	−2⅛	15.00	10.62
94	83	Iceland 6½pc '83-88	90	.....	—	—
136¼	115½	Do. 14½pc Ln. 2016	126 xd	−2½	14.50	11.30
103½	94	Ireland 9¾pc '91-96	99¾	−1	9.75	9.72
98½	85	Japan 6% '83-88	85	.....	—	—

AMERICANS

1987 High	1987 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
41	32⅝	Abbott Laboratories‖	38⅝	−½	$1.00	—	1.6
17	11½	Ahmanson (H.F.)	12½	−¼	88c	—	4.3
35½	24⅝	Alcoa $1	35½	+⅛	$1.20	—	2.1
18⅞	15⅝	♦Allegheny & W $0.01	17½	+⅛			
15½	8⅞	Amax $1	15	−⅛	—	—	—
26¼	17¼	Amdahl 5c	23⅝	−⅝	20c	—	0.5
33	25¼	Amer. Cyanamid $5	31⅛	−1⅛	$1.90	—	3.7
25	18	Amer. Express $0.60	20⅞ xd	+⅛	$1.44	—	4.2
12⅝	10	Amer. Medical Int. $1	12¼	−⅛	♦72c	—	3.6
19¼	14½	American T. & T. $1	18	−⅛	$1.20	—	3.9
63	46⅝	Ameritech $1	52	−⅛	h$4.72	—	5.6
21⅛	15½	Amlac‖	21	−½	—	—	—
23	17⅝	Anheuser-Busch $1	22¼ xd	−⅛	$2.00	—	5.5
81½p	45p	♦AridTech‖	81p	+1	—	—	—
10⅛	6	BankAmerica $1	6	−⅛	—	—	—
34⅛	25⅛	Bankers N.Y. $10	29½	−1	$1.66	—	3.5
652p	340p	BASIX Corp.	382p	−8	12c	—	1.9
49½	36⅝	Bell Atlantic $1	40¼	−⅛	$3.84	—	5.8
26	21	BellSouth Corp.	23¼	−⅛	$2.04		5.4
11⅞	4¼	♦Bethlehem Steel $8	11⅛	−½	—	—	—
20½	10⅛	Bio-Rad Labs. Inc. 'A'	14⅞		—	—	—
32	24⅞	Morgan (JP) $2.5	29½ xd	.....	$2.72	—	5.7
46⅝	36⅛	NYNEX $1	41½	−⅞	h$3.48	—	5.1
27	21¼	PHH	26½ xd	.....	$1.04	—	2.4
25½	19⅛	Pacificorp $3.25	22¼	.....	$2.52	—	6.9
19⅞	13½	Pacific Telesis $0.10	15⅝	−¼	h$1.64	—	6.4
22	17¼	Pall Corp. 25c	18¼ xd	.....	34c	—	1.2
56⅞	45⅛	Pennzoil 83c	48	−½	$2.20	—	2.8
28	21	Pillsbury‖	27½	.....	$1.00	—	2.2
36⅞	26⅛	Quaker Oats $5	31½ xd	−⅛	h80c	—	1.6
42	28⅝	RJR Nabisco Inc.	35¼	−½	$1.60	—	2.8
39	27¾	Rep NY Corpn $5	31⅛	−¼	$1.16	—	2.3
18¾	15	Rockwell Intl. $1	16¼	−⅛	66c	—	2.4

Continued on next page

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
ANZ Finance High Interest Cheque Acc				
Minerva Hse, Montague Cl, London, SE1 01-378 2576				
£250-£2,500	7.00	5.27	7.36	Qtr
£2,500+	9.00	6.77	9.52	Qtr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	8.20	6.00	8.64	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY 01-638 6070				
Treasury Acc	8.25	6.21	8.71	Qtr
MnthlnChq £1000-£5000	8.00	6.02	8.48	Mth
Mth. Int. Chq. £5,000+	8.25	6.21	8.75	Mth
AAB—Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-626 2046.				
HICA, HICMA	8.75	6.58	9.30	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	8.10	6.09	8.59	Mth
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	8.00	6.00	8.40	Qtr
Benchmark Trust Ltd Premier Account				
9 Henrietta Place, W1M 9AG. 01-631 3313				
£5,000-£10,000	9.00	6.77	9.43	6-mth
£10,001-£20,000	9.25	6.96	9.70	6-mth
£20,000+	9.50	7.15	9.97	6-mth
Brown Shipley & Co Ltd				
Founders Court, Lothbury, London EC2. 01-606 9833				
Demand Acc	8.25	6.21	8.95	Qtr.
Charterhouse Bank Limited				
1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	8.25	6.21	8.75	Mth
U.S. Dollar	6.25	4.70	6.85	Mth
German Marks	3.00	2.26	3.13	Mth
Swiss Francs	2.50	1.88	2.60	Mth

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
30½	22⅞	Sara Lee $1	26⅞xc	−⅛	$1.00	—	2.3
11⅞	8⅝	Saul (B. F.) $1	10⅝xc		20c	—	1.2
26¼	19⅞	Southwestern Bell $1	21¼	−¼	†$2.32	—	6.5
18⅛	14¼	Staley Continental	16⅞	−⅛	80c	—	2.9
44⅞	36¼	Sun Co. Inc. $1	41⅝xc	−⅛	$3.00	—	[illegible]
37	28½	TRW Inc. $6.625	34¼		†$1.60	—	2.8
32½	25⅞	Tenneco $5	31⅞	−⅞	$3.04	—	5.9
187½	159½	Do. 10% Ln Stk. 91-5	187½xc		10%	—	5.5
28⅞	17⅞	Texaco $6.25	28½xc	+¼	$3.00	—	6.5
65¼	47⅞	Time Inc. $1	63⅞	−⅞	$1.00	—	1.0
14½	11	Tosco $0.33	12⅝	−⅛	40c	—	1.9
26⅞	18⅞	Transamerica $1	25⅞	−⅛	$1.76	—	4.3
12¼	922p	Transworld Corp $5	11⅞	−¼	20c	—	1.1
46¼	29⅞	TRINOVA Corp.	45⅝	−⅛	h$1.00	—	1.3
24⅞	15⅞	♥USX $1	22⅞	−¼	$1.20	—	3.2
19⅛	15⅞	Union Carbide $1	18	−⅞	$1.50	—	5.1
35⅞	26⅞	Utd. Technologies	32⅞	−1	$1.40	—	2.6
38⅝	27	US West	31⅛	−⅛	$3.28	—	6.5
27	17⅛	Waste Management $1	27	+½	—	—	—
£31⅞	£20½	Whirlpool $1.0	£31⅞	−10⅞	—	—	—
35⅛	26	♥Woolworth $3½	35⅛	+¼	$1.32	—	2.3

CANADIANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
21p	10p	♥Abbot Energy Corp	21p	+2	—	—	—
12⅝	500p	♥Amer. Barrick Res.	12⅛xc		—	—	—
122p	52p	Armeno	71p	−2	—	—	—
19⅛	14⅝	Bk. Montreal ‖	16	−⅛	$2.00	—	5.8
10½	745p	Bk. Nova Scot. ‖	855p	+6	72c	—	3.9
20⅝	18	BCE ‖	19⅞	−⅛	$2.40	—	5.6
10⅛	712p	♥Bow Valley ‖	10⅛	−⅛	40c	—	1.8
19½	12⅞	♥Brascan ‖	18⅞	...	88c	—	2.1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

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هكذا من الأصل

LONDON SHARE SERVICE

INSURANCES—Continued

LEISURE

MOTORS

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
140	84	Anglo-Dominion	104	.....	—	—	—
90	21	♥Colby Res Corp.	50	−2	—	—	—
*300	127	Cons. Murch. 10c	287xd	.....	Q60c	4.4	6.5
*70½	37½	♣Ennex Int. Ir10p	58	.....	—	—	—
356	151	Greenwich Res	345	+2	—	—	—
£12⅞	963	Hemlo Gold Mines	£12⅞	+¼	—	—	—
355	189	♥Highwood Res.	324	+11	—	—	—
£25⅝	£16⅛	Homestake Mining $1	£23½	+¼	Q20c	—	0.5
442	150	♥McFinley Red Lake	401	.....	—	—	—
166	86	♥Musto Explorations	120	.....	—	—	—
118	37½	♥New Sabina Res C$1	118	+2	—	—	—
580	200	Northgate C$1	560	+23	—	—	—
237	104	Nor-Quest Resources	180	.....	—	—	—
£12¾	698	RTZ	£12½	.....	23.5	2.7	2.6
£359¾	£113¾	Do. 9½pcLn '95-2000	£257	+2	Q9½%	37.5	3.7

THIRD MARKET

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
485	180	Abelscot Group 10p	445	.....	3.5	2.7	1.1	47.9
45	28	Aberdeen Am Pet 10p	42	−3	—	—	—	—
125	110	Allied Ins. Brokers	120	.....	L3.5	2.5	4.1	13.9
83	73	Amercoeur Energy 10p	73	−1	—	—	—	—
46	9	Ardmore Pet. 'A'	29	−2	—	—	—	—
98	45	Catalyst Comms. 5p	86	−2	—	—	—	35.7
200	163	Chelsea Artisans 5p	163	.....	—	—	—	21.8
180	155	Comac Group 5p	163	−4	—	—	—	—
151	47	Corton Beach 10p	125	−1	0.4	♦	0.4	♦
200	150	Crown Eyeglass 5p	175	.....	—	—	—	—
285	102	Edenspring Investment	270	−3		—	—	—
*62	18	Eglinton Oil Ir.5p	31	−1	—	—	—	—
41	17	Do. Warrants	21	.....	—	—	—	—
175	101	Far East Res. 10p	175	+15	—	—	—	—
82	17	Publishing Hldgs.5p	80	+1	—	—	—	46.4
87	45½	Theme Holdings	78	.....	1.0	♦	1.8	♦
140	111	Unit Group	140#	.....	R4.6	2.5	4.5	(18.0)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	92	+1	Fin. 13% 97/02	£108½	−2
Craig & Rose £1	£20	.....	Arnotts	380	.....
Finlay Pkg. 5p	126	−2	CPI Hldgs	90	+15
Holt (Jos) 25p	1003	.....	Carrol Inds.	173	.....
IoM Stm. £1	146	.....	Dublin Gas	18	.....
			Hall (R. & H.)	135	.....
IRISH			Heiton Hldgs.	57	+12
Fund 11¼% 1988	£100¾	.....	Irish Ropes	190	.....
Nat. 9¼% 84/89	£89¼	−9¼	Unidare	440	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	12
Amstrad	20	Nat West Bk	65
BAT	55	P & O Dfd	65
BOC Grp	45	Plessey	22
BSR	17	Polly Peck	28
BTR	30	Racal Elect	24
Babcock	19	RHM	30
Barclays	52	Rank Org Ord	70
Beecham	50	Reed Intnl	45
Blue Circle	50	STC	30
Boots	25	Sears	15
Bowaters	50	TI	34
Brit Aerospace	55	TSB	10
Brit. Telecom	32	Tesco	55
Burton Ord	35	Thorn EMI	70
Cadburys	22	Trust Houses	24
Charter Cons.	40	Turner Newall	28
Comm Union	30	Unilever	300
Courtaulds	45	Vickers	20
FNFC	30	Wellcome	42
Gen Accident	95	Property	
GEC	24	Brit Land	25
Glaxo	200	Land Securities	45
Grand Met	55	MEPC	42
GUS 'A'	175	Peachey	45
Guardian	90	Oils	
GKN	30	Brit Petroleum	32
Hanson Tst.	15	Britoil	32
Hawker Sidd	50	Burmah Oil	45
ICI	125	Charterhall	6
Jaguar	52	Premier	11
Ladbroke	40	Shell	110
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	24
Lloyds Bank	50	Mines	
Lucas Inds	62	Cons Gold	95
Marks & Spencer	22	Lonrho	26
Midland Bk	55	Rio T Zinc	90
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Jun 29	July 9	July 10	July 20
July 13	July 23	July 24	Aug 3
Jul 27	Aug 6	Aug 7	Aug 17

* New time dealings may take place from 9.00 am two business days earlier.

Near record daily fall in equities as Gilts crumble on UK trade figures

The announcement of a UK current account deficit of £561m in May—substantially worse than the most pessimistic City forecasts—wiped out an attemped rally in the UK stock market yesterday, sending share prices plunging in one of the heaviest daily falls of the year. The setback started in the Government bond market, where the trade figures prompted widespread selling which left prices with losses of more than two points.

Equities opened firmly, with traders covering bear positions. But a gain of 10 points in major indices was abruptly reversed as Gilts turned lower. Share prices headed downwards sharply and ended at the day's low points after renewed selling hit the market in the final hour.

The FT-SE 100 Index closed with a net loss of 46 points at 2344.5, within a whisker of its largest daily recorded fall in index points terms of 46.1 on March 30. The FT Ordinary Index fell 39.6 to 1832.4.

The FT-SE Index has lost 98 points since last Thursday as a widely predicted technical shake-out has been aggravated by news of surging UK bank lending and, now, a substantial trade deficit. These fears have undermined lingering hopes for lower UK base rates, and cast doubts over the next trend in domestic lending rates.

While there was a rush of attempted selling as the market crumbled, the marketmakers were quick to ward off the pressure by offloading selling orders on to their competitors. "The marketmakers were not standing there fearlessly taking stock on board," commented one trader somewhat sourly. The SEAQ bargains total was low by recent standards.

Losses were widespread among the consumer and construction issues which would be the first casualties of higher interest rates. There were also further falls in most of the industrial blue chips, ranging from **Imperial Chemical Industries** and **Jaguar** to **Unilever**.

A further blow for oil shares came from a late downturn in world crude prices. **British Petroleum**, overborne by the plans to raise £1.5bn by selling shares to the Government ahead of the privatisation sale, gave ground.

But gold shares, always quick to sense concern over global interest rates, came in for renewed buying. **Consolidated Gold Fields** and **RTZ** extended recent gains.

Government bonds ended very weakly, with the day's losses of 2¼ points bringing a net fall of 4½ points over the past three days. Overseas holders were selling British Government bonds, on to a market suddenly devoid of buyers.

Yields on long-dated Gilts jumped to 9.45 per cent, discounting any remaining hopes of another cut in bank base rates. With sterling still weak at the close, Gilt-edged ended on a gloomy note.

Mr Jimmy Gulliver's **Argyll Group**, the major food retailing concern which recently announced a £208.4m rights issue to fund the substantial programme of Safeway Store development, closed 10 lower at 440p as the residue of rights shares were placed with institutional clients.

The company has stated that the current year has begun well and that Safeway's profits are already showing the improvement planned at the time of its acquisition.

Boots shares fared better than most, as heavy turnover of 9.1m anticipated a circular later this week from Nomura Securities.

The shares moved up to 312p initially, before closing a net 9 down to 300p after rumours that Nomura believes Boots should be rated with the market's favoured pharmaceutical issues.

Widespread and often heavy losses were again the order of the day in financial sectors. The clearing banks were depressed by the overall weakness in equities but also suffered from a further bout of selling pressure by market makers anxious to keep level books in front of the first set of interim figures from the big four banks, those of Midland expected today. Forecasts of the bank's profits, pre-extraordinary items, ranged from around £210m to £240m. **Midland** shares dropped 9 to 621p while **Lloyds**, reporting on Friday fell 10 to 398p. **NatWest** retreated 18 to 755p and **Barclays** gave up 11 to 627p. **Royal Bank of Scotland** spurted to 450p during initial trading, driven up by persistent overseas and local buying, triggered by another spate of takeover speculation, but later fell back to close only a shade up at 434p. **Standard Chartered**, amid bid rumours and recent stories regarding its stake in Stanbic, touched 823p before settling virtually unchanged at 812p. **TSB** dipped 4 to 91¾p. Merchant banks staged another general retreat led by **Mercury International**, 12 lower at 489p. **Morgan Grenfell**, the market's bid favourite, settled 4 off at 528p.

Insurances were marked lower across the board with a handful of exceptions. Life group **London & Manchester** were steady at 358p on talk of a possible 420p a share bid from NatWest next week—to coincide with the latter's figures due on Tuesday. Rumours of a sell circular from a leading broker upset **Prudential** which dipped ⅜ to £10⅛. Profit-taking left **Royals** 11 off at 556p while news of the heavy losses at US group Firemans Fund upset **Commercial Union** 19½ lower at 366½p. **Sun Alliance** continued to respond to talk that Chubb is increasing its stake from 5 to 10 per cent and put on ⅛ to £10⅜. A late rally left **Hogg Robinson** up 3 at 639p amid rumours that a counter bidder to TSB is about to strike.

Leading Buildings were given a modest boost initally by NatWest's decision to reduce Mortgage rates for existing borrowers, but prices were subsequently forced lower by a wave of selling, some of which turned out to be heavy. **Blue Circle** shed 9 more to 509p, making a two-day fall of 26, while **RMC** weakened a further 6 to 538p. **Tarmac** closed 8 down at 300p and **Redland** shed 8 to 534p. **Taylor Woodrow** lost 5 at 513p, while recently-firm **Costain** gave up 8 at 340p.

ICI settled ⅛ off at £15, while **Laporte** dipped 15 to 520p. **British Benzol** provided an isolated bright spot however, rising 6 to 144p after 147p, reflecting the chairman's confident statement at the annual meeting.

GUS "A" fell 3/16 to £13⅞ in front of today's preliminary results — BZW are forecasting pre-tax profits of £330m and Wood Mackenzie are going for £340m.

Electricals posted numerous substantial falls. In the leaders **Telecom** dropped 4½ to 287p on a turnover of 8.4m shares while **GEC**, following rumours that the group is on a short list of companies interested in buying the US Lear Siegler Aerospace group, dropped 9½ to 240p after a turnover of 5.7m shares.

Thorn EMI were heavily sold and retreated 19 to 756p amid speculation that the company had placed its 4.9 per cent holding in United Scientific; the latter dipped 27 to 312p. Elsewhere, **Amstrad** lost 11 to 175p with more than 5m shares changing hands.

Less than favourable comment on the proposed merger with Babcock unsettled **FKI** which closed 15½ off at 172½.

Ealing Electro-Optics dipped 11 to 172p after the previous day's sharp rise, as the company announced it was involved in talks that could lead to a bid for the company. Among a handful of firm features **Cambridge Instruments** added 7 to 116p while the good preliminary results — pre-tax profits rose from £1.6m to £2.1m — boosted **Menvier-Swain** 5 to 248p.

McKechnie advanced 13 to 371p in the wake of the company's announcement that it is acquiring F. H. Tomkins' 50 per cent holding in Fluid Control NZ Ltd for £12.36m. Elsewhere in Engineers, **Carclo** moved up 22 more to 885p which makes their share exchange offer for **Deritend** worth around 505p per share; the latter closed a couple of pence easier at 508p. Among the leaders, **GKN** dipped 21 to 359p and **Hawker** fell 18 to 566p.

Foods succumbed to the general malaise. **Unigate** settled 7 lower at 409p, while **Cadbury Schweppes** finished 5 off at 269p. **Tate and Lyle** dipped 9 to 888p and **United Biscuits** shed 8 to 331p. Among Retailers, in session dominated by the placing of the rump of the Argyll rights, **Tesco** fell 12 to 191p. **J. Sainsbury** attracted early support in the wake of Tuesday's meeting with analysts and touched 295p before easing back to close 2 cheaper on balance at 285p. **Dee Corporation** were a relatively steady market awaiting today's preleminary figures and closed just 3 cheaper at 247p. Elsewhere, **Hillsdown Holdings** closed 4 off at 303p, having touched 310p immediately after announcing the acquisition of Fairview Homes for some £25.5m plus a further £14m to cover Fairview's debt repayments.

Beecham were actively traded (some 8.7m shares changed hands) but settled 12 cheaper at 564p despite the encouraging tenor of the chairman's statement at the annual meeting. Among the other pharmaceutical stocks, **Glaxo** gave up 3/16 to £17¾ and **Fisons** fell 8 to 367p, while **Wellcome** closed 12 lower at 465p. Elsewhere, **BOC** tumbled 20 to 512p in a relatively low volume of business.

Johnson Matthey, down 7 at 393p, were unsettled by the chairman's remarks at the annual meeting that the company cannot expect to achieve in the future the same rate of growth in profits which has been seen in the last two years. **Cookson**, in contrast, held relatively steady at 770p, helped by a bullish review of the company from Mr Geoff Allum the analyst with County Natwest. He points out that he expects Cookson's success over the past five years to continue over the foreseable future and that the current rating still does not fully reflect this. **Christies International** resisted the trend, closing a few pence firmer at 612p, sentiment being assisted by the announcement of a 50 per cent increase in world-wide sales for the season ending July 1987.

GRA, a rising market recently on property injection/takeover hopes, came back 4 to 153p, while **Owners Abroad** shed 3½ to 129p following the interim results. **Stanley Leisure** shed 15 to 385p awaiting today's preliminary figures.

Among the Motor sectors, **Lucas** met with further selling and gave up 18 more to 731p. On the other hand, revived speculative demand left **Western Motor** 21 to the good at 433p.

A burst of speculative activity took **Bunzl** up to 264p prior to settling 8 higher on the day at 262p. Dealings resumed in **Conrad Holdings** at 255p compared with the suspension price of 102p following approval of the share subscription and proposed rights issue.

Leading Properties, recently the subject of considerable bid speculation, went into reverse as profit-taking gained momentum. Final losses stretched into double figures with **MEPC** the major casualty at 531p, down 23. **Land Securities** fell 15 to 550p and **Hammerson "A"** dipped 15 to 595p. **Peachey** shed 6 to 427p, as did **Slough Estates**, at 296p. Estate agents **Hanover Druce** remained on offer at 400p down 25, while **Helical Bar** shed 13 to 250p. **Control Securities**, in which Heron Corporation recently acquired a near 5 per cent stake after the purchase by Control of a portfolio of Heron properties, dipped to 91p prior to closing off at 96p.

Against the trend, Textiles provided the occasional bright spot. **Allied Textile** responded to satisfactory results with a gain of 13 at 390p, while **Dawson International**, encouraged by the chairman's annual statement, advanced 4½ to 331½p. Press mention stimulated a revival in **West Trust** which gained 15 to 320p.

The energy sector performed well for much of the session, and showed only minor falls despite the hadlong retreat by equities. However, the late downturn in crude oil prices — Brent crude dipped below the psychologically important $20 a barrel level — triggered a flurry of selling which lowered all the leading issues. **British Gas** fell 6 to 181½p on a turnover approaching 20m shares while **BP** closed 12½ off at 382½p after a turnover of 11m shares.

Swiss funds were early buyers of gold shares in London as they anticipated that worries over the UK trade figures might be translated into worries about global inflation and interest rates. Spurred on later by a firmer bullion price, the South African producer issues put on $2 or so, helped in late dealings by some demand from New York. The FT Gold Mines Index gained 9.2 to 446.3.

Once again, there was strong buying of **Consolidated Gold Fields** and **RTZ**, as investors continued to favour the gold and metal-related sector.

Business in traded options showed a substantial increase following the biggest ever points fall in the FT 30 share index. Calls amounted to 45,362 and puts 26,146 making a total of 71,508.

Traditional Options

- First dealings July 20
- Last dealings July 31
- Last declaration Oct 22
- For Settlement Nov 2

For rate indications see end of London Share Service

Money was given for the call of **Astra Industrial, Control Securities, Telephone Rentals, Dares Estates, Burnett and Hallamshire, Common Brothers, Stakis, Trimoco, Hawtin, Bula Resources, Kellock, Inoco, Tootal, Blacks Leisure, Property Trust, FKI Electricals, Eagle Trust, Rolls-Royce, Abaco, Norfolk Capital, Greenwich Resources, Neil and Spencer, Fergebrook, Sheraton Securities, GRA, Morgan Grenfell** and **Commercial Union**. Puts were arranged in **Barham, British Dredging, Cowan de Groot** and **Southend Stadium**, while double options were transacted in **Rotaprint** and **Greenwich Resources**.

FINANCIAL TIMES STOCK INDICES

	July 22	July 21	July 20	July 17	July 16	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	89.54	90.36	90.78	91.20	91.12	88.86	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.39	97.52	98.53	98.78	98.51	95.65	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1832.4	1872.0	1889.6	1916.9	1926.2	1286.8	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	446.3	437.1	424.8	429.7	423.0	197.2	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.13	3.07	3.04	3.01	2.99	4.27				
Earnings Yld.%(full)	7.60	7.45	7.40	7.29	7.25	10.32				
P/E Ratio (net) (*)	16.17	16.49	16.61	16.85	16.96	11.78				
SEAQ Bargains (5 pm)	45,720	49,371	57,964	57,774	61,215	—				
Equity Turnover (£m)	—	1615.67	1562.29	1849.20	2272.69	482.98				
Equity Bargains	—	60.081	73,592	70,743	73,910	18.858				
Shares Traded (ml)	—	—	828.2	903.1	866.4	212.1				

S.E. ACTIVITY

Indices	July 21	July 20
Gilt Edged Bargains	164.1	151.1
Equity Bargains	389.3	476.8
Equity Value	3265.7	3157.8
5-Day Average		
Gilt Edged Bargains	159.0	157.8
Equity Bargains	454.9	466.6
Equity Value	3944.7	3932.0

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1876.7	1882.1	1879.0	1862.2	1851.0	1844.8	1837.3	1838.0

Day's High 1886.6 Day's Low 1832.4. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=15.87.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (115)

AMERICANS (5), CANADIANS (1), BANKS (4), BUILDINGS (3), CHEMICALS (4), STORES (6), ELECTRICALS (12), ENGINEERING (5), FOODS (2), HOTELS (1), INDUSTRIALS (28), INSURANCE (2), LEISURE (1), MOTORS (2), NEWSPAPERS (1), PAPERS (2), PROPERTY (2), SHIPPING (1), SOUTH AFRICANS (2), TEXTILES (4), TRUSTS (8), OILS (4), PLANTATIONS (2), MINES (12), THIRD MARKET (1).

NEW LOWS (10)

BRITISH FUNDS (2), Treas. 3pc 1992, Conv. 9pc Ln 2011. LOANS (3), N'wide 8⅞pc 23.5.88, Do. 8 11/16pc 20.6.88, Do. 3⅞pc IL Ln 2021. BANKS (1), Cie B'cre. ELECTRICALS (1), Toshiba Corp. TRUSTS (1), Biotechnology Invs. OVERSEAS TRADERS (1), GN Great Nordic. THIRD MARKET (1), Amercoeur Energy.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	3,800	206	−2	Jaguar	1,700	586	−9
Allied Lyons	2,800	455	−5	Ladbroke	1,200	441	−5
Amstrad	4,800	175	−11	Land Securities	2,500	550	−15
Argyll Group	788	440	−10	Legal & Gen.	791	318	−21
Assoc. Brit. Foods	248	395	−2	Lloyds Bank	1,900	398	−10
BAT	1,300	660	−4	Lonrho	4,800	295	−4
BET	2,400	288	−14	MEPC	1,600	531	−23
BOC	1,800	512	−20	Marks & Spencer	3,500	251	−10
BPB Inds	1,200	839	—	Midland Bank	2,000	621	−9
BPCC	1,000	322	−2	NatWest Bank	1,400	755	−18
BTR	6,600	335	−7	Next	1,000	328	−16
Barclays	1,400	627	−11	Pearson	177	747	−7
Bass	297	£10⅛	−0¼	P & O	1,000	751	−14
Beecham	8,400	564	−12	Pilkington Bros	822	£10⅛	—
Blue Circle	1,600	509	−9	Plessey	7,000	208	−7
Boots	9,100	300	−9	Prudential	921	£10⅛	−0⅜
Brit. Airways	3,600	160	−5	Racal	4,000	280	—
Brit. Aero	2,600	525	−15	Rank Org.	423	765	−9
Brit. & Comm.	663	543	−11	RHM	252	329	−8
British Gas	16,000	181½	−6	Reckitt & Col	112	£11½	−0¼
Britoil	2,800	317	−9	Redland	506	534	−8
BP	8,500	382½	−12½	Reed Intl.	2,400	540	−5
Brit. Telecom	7,500	287	−4½	Reuters	1,100	885	−3
Bunzl	4,000	262	+8	RMC	514	538	−6
Burton	4,400	329	−8	RTZ	1,000	£12½	—
Cable & Wire	6,000	389	−13	Rolls-Royce	5,200	116	−4
Cadbury Schweps	3,700	269	−5	Rowntree	275	558	−5
Coats Viyella	1,700	352	−3	Ryl Bank Scotland	2,500	434	+1
Comm. Union	2,300	366½	−19½	Royal Insurance	3,600	556	−11
Cons. Gold	1,500	£12¼	+0¼	STC	1,600	299	−7
Cookson	478	770	−5	Saatchi & Saatchi	883	653	−12
Courtaulds	687	498	−7	Sainsbury	4,900	285	−2
Dee Corpn	4,300	247	−3	Scott & Newcastle	1,700	248	−5½
Dixons Group	2,800	365	−8	Sears	8,700	172½	−2
English China Clays	254	524	−3	Sedgwick	2,100	330	+1
Fisons	1,500	367	−8	Shell Trans	2,500	£14¼	−0⅜
Gen. Accident	433	£11	−0¼	Smith & Nephew	2,300	177½	−8
Gen. Elect	5,100	240	−9½	Standard Chart	1,400	812	−1
Glaxo	1,200	£17¾	−0⅜	Storehouse	10,000	313	−3
Globe Investment	1,500	190½	−2½	Sun Alliance	181	£10⅜	+0⅛
Granada	370	356	−3	TSB	5,600	91¾	−4
Grand Met	1,400	582	−5	Tarmac	2,200	300	−8
GUS "A"	270	£13⅞	−0⅜	Tesco	3,400	191	−12
Guardian R.E.	761	£10⅞	−0½	Thorn EMI	2,600	756	−19
GKN	2,100	359	−21	Trafalgar House	1,100	419	−6
Guinness	4,200	364	−3	T'house Forte	4,400	259½	−4½
Hammerson	235	595	−15	Unigate	2,000	409	−7
Hanson Trust	13,000	182	−5½	Unilever	1,400	677	−13
Hawker Sidd.	631	566	−18	United Biscuits	754	331	−8
Hillsdown Hldgs	2,100	303	−4	Wellcome	1,600	465	−12
ICI	1,900	£15	−0⅛	Whitbread "A"	1,700	345	−13
				Woolworth	3,000	397	−16

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	113	0
Corporations, Dominion and Foreign Bonds	1	33	25
Industrials	249	855	460
Financial and Properties	58	340	201
Oils	20	53	41
Plantations	4	1	9
Mines	66	35	89
Others	49	118	100
Totals	447	1,548	925

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed July 22 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Tues July 21 Index No.	Mon July 20 Index No.	Fri July 17 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (212)	996.51	−1.9	6.88	2.73	18.18	11.21	1015.34	1027.14	1037.12	700.98
2	Building Materials (30)	1294.52	−1.3	6.87	2.65	18.13	15.55	1311.78	1336.15	1363.61	794.95
3	Contracting, Construction (33)	1858.76	−1.7	6.48	2.58	20.65	19.38	1890.50	1922.22	1941.30	1222.95
4	Electricals (12)	2631.59	−2.7	5.72	2.95	22.56	36.50	2705.69	2733.45	2730.81	1827.26
5	Electronics (35)	2151.54	−2.6	7.04	2.28	18.18	15.26	2208.20	2231.37	2236.70	1575.25
6	Mechanical Engineering (60)	525.44	−1.7	7.68	3.22	16.34	7.80	534.60	538.42	541.74	390.90
8	Metals and Metal Forming (7)	577.79	−1.5	6.78	2.72	17.77	6.86	586.63	580.38	585.70	335.43
9	Motors (14)	384.65	−2.6	7.94	2.77	14.64	3.42	395.08	399.70	406.20	292.63
10	Other Industrial Materials (21)	1640.86	−1.4	5.87	2.95	20.51	22.53	1663.94	1682.60	1699.54	1256.67
21	CONSUMER GROUP (184)	1351.95	−1.7	5.86	2.51	21.90	14.33	1375.06	1381.41	1401.23	900.55
22	Brewers and Distillers (22)	1232.27	−1.0	7.61	2.89	16.53	11.77	1245.24	1240.85	1265.93	905.52
25	Food Manufacturing (24)	1043.89	−1.5	6.73	2.93	19.30	15.12	1059.76	1075.84	1089.31	664.25
26	Food Retailing (16)	2557.17	−2.0	5.09	2.27	26.74	21.16	2608.29	2589.08	2612.79	1797.32
27	Health and Household Goods (10)	2579.92	−1.8	3.92	1.55	29.84	15.11	2627.01	2648.58	2691.83	1528.26
29	Leisure (31)	1417.38	−1.5	5.82	3.07	22.24	20.36	1439.16	1454.66	1475.66	880.21
31	Packaging & Paper (15)	712.43	−0.8	5.74	2.42	23.07	7.88	718.34	726.79	736.97	471.06
32	Publishing & Printing (14)	4465.75	−0.6	4.80	3.11	26.82	59.63	4494.69	4540.69	4564.69	2498.58
34	Stores (36)	1107.92	−2.7	6.42	2.58	21.15	12.81	1138.17	1141.54	1159.33	855.71
35	Textiles (16)	838.07	−0.8	7.42	2.67	15.64	11.71	845.15	839.47	851.74	534.99
40	OTHER GROUPS (87)	1149.52	−1.6	7.52	3.04	16.60	11.06	1168.21	1169.45	1183.16	750.58
41	Agencies (16)	1754.62	−0.6	3.77	1.36	34.95	9.76	1764.35	1782.48	1795.57	0.0
42	Chemicals (22)	1426.13	−1.4	6.90	3.08	17.77	19.79	1446.26	1453.40	1461.02	924.15
43	Conglomerates (12)	1473.36	−2.4	7.21	3.12	15.90	18.93	1510.12	1515.83	1530.12	0.0
45	Shipping and Transport (11)	2421.96	−1.7	6.46	3.32	20.44	37.76	2463.05	2473.95	2487.95	1457.85
47	Telephone Networks (2)	1108.95	−1.9	9.10	3.65	14.66	2.95	1130.01	1121.68	1142.66	768.73
48	Miscellaneous (24)	1669.02	−1.1	8.42	2.66	14.23	18.61	1687.18	1688.31	1715.19	1027.92
49	INDUSTRIAL GROUP (483)	1220.29	−1.7	6.57	2.71	19.23	12.80	1241.45	1248.27	1263.79	820.50
51	Oil & Gas (17)	2336.66	−2.3	4.68	3.96	27.65	37.29	2390.46	2398.95	2451.05	1201.57
59	500 SHARE INDEX (500)	1315.07	−1.8	6.28	2.90	20.16	14.94	1339.00	1345.96	1364.59	854.08
61	FINANCIAL GROUP (119)	852.50	−1.9	—	3.45	—	13.48	869.43	878.07	881.85	603.58
62	Banks (8)	869.74	−1.8	15.92	4.31	8.31	16.24	885.79	893.67	896.02	648.93
65	Insurance (Life) (9)	1122.62	−3.0	—	3.75	—	20.71	1157.12	1167.28	1181.01	854.86
66	Insurance (Composite) (7)	644.51	−2.2	—	3.80	—	11.76	659.26	664.97	652.05	489.98
67	Insurance (Brokers) (9)	1352.29	−1.7	7.95	4.00	16.20	26.32	1375.91	1383.80	1399.56	1204.02
68	Merchant Banks (11)	494.78	−0.9	—	2.73	—	6.88	499.04	505.57	504.96	334.79
69	Property (47)	1287.58	−2.2	3.68	2.29	35.10	12.06	1316.20	1332.92	1358.44	781.03
70	Other Financial (28)	588.91	−0.9	5.64	2.74	22.29	7.17	594.49	600.67	603.19	340.31
71	Investment Trusts (92)	1120.16	−1.1	—	2.14	—	11.12	1132.76	1136.52	1147.90	744.72
81	Mining Finance (2)	624.97	+0.8	5.40	2.66	21.27	6.79	619.95	613.75	615.00	251.34
91	Overseas Traders (10)	1167.59	−0.6	7.74	4.02	15.34	23.27	1174.64	1184.76	1197.23	660.62
99	ALL-SHARE INDEX (722)	1191.84	−1.7	—	2.96	—	14.37	1212.95	1219.82	1234.49	779.84

	Index No.	Day's Change	Day's High	Day's Low	July 21	July 20	July 17	July 16	July 15	Year ago
FT-SE 100 SHARE INDEX ‡	2344.5	−46.0	2400.4	2344.5	2390.5	2400.7	2428.7	2443.4	2419.2	1572.3

FIXED INTEREST

	PRICE INDICES	Wed July 22	Day's change %	Tues July 21	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	122.29	−0.56	122.98	—	6.83
2	5-15 years	140.01	−1.39	141.98	—	8.09
3	Over 15 years	149.50	−1.66	152.02	—	7.25
4	Irredeemables	163.03	−2.24	166.77	—	7.27
5	All stocks	136.78	−1.21	138.46	—	7.57
	Index-Linked					
6	5 years	122.48	−0.22	122.75	—	1.57
7	Over 5 years	116.18	−0.14	116.34	—	2.08
8	All stocks	116.52	−0.15	116.70	—	2.03
9	Debentures & Loans	123.05	−0.11	123.19	—	6.17
10	Preference	89.00	+0.19	88.83	—	3.49

	AVERAGE GROSS REDEMPTION YIELDS		Wed July 22	Tues July 21	Year ago (approx.)
	British Government				
1	Low	5 years	8.29	8.05	8.24
2	Coupons	15 years	9.23	9.03	9.26
3		25 years	9.25	9.04	9.29
4	Medium	5 years	9.44	9.17	9.62
5	Coupons	15 years	9.49	9.26	9.60
6		25 years	9.49	9.26	9.60
7	High	5 years	9.58	9.31	9.78
8	Coupons	15 years	9.61	9.40	9.76
9		25 years	9.39	9.19	9.59
10	Irredeemables †		9.17	8.92	9.24
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	2.52	2.44	3.85
12	Inflat'n rate 5%	Over 5 yrs	3.77	3.75	3.55
13	Inflat'n rate 10%	5 yrs	2.27	2.19	2.56
14	Inflat'n rate 10%	Over 5 yrs	3.72	3.71	3.38
15	Debs &	5 years	10.17	10.16	10.04
16	Loans	15 years	10.17	10.16	10.39
17		25 years	10.17	10.16	10.47
18	Preference †		10.20	10.22	10.87

‡ Opening index 2393.8; 10 am 2399.3; 11 am 2396.1; Noon 2377.7; 1 pm 2367.0; 2 pm 2360.2; 3 pm 2350.6; 3.30 pm 2351.4; 4 pm 2351.7

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

CONSTITUENT CHANGES: Associated Book Publishers (32) has been deleted. Ryan International (48) and St Modwen Properties (69) have both been inserted.

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
Allied Lyons (*455)	390	67	82	92	0¼	3	7
	420	37	55	70	1	10	15
	460	1½	30	45	7	27	32
Brit. Airways (*161)	140	21	27	41	0½	5	9
	160	1½	16	27	1	13	18
	180	0¼	7	18	21	25	26
[illegible]							

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Guinness (*365)	330	40	52	63	3	12	17
	360	18	33	43	10	22	27
	390	6	23	30	30	38	45
Ladbroke (*442)	403	45	57	—	1½	10	—
	420	—	—	58	—	—	22
	443	17	33	—	14	27	—
[illegible]							

July 22. Total Contracts 71,508. Calls 45,362. Puts 26,146. FT-SE Index Calls 1,570 Puts 3,765. *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (Continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (Continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

OVER-THE-COUNTER Nasdaq national market, closing prices

Continued from Page 37

[illegible]

CANADA

TORONTO
Closing prices July 22

[illegible]

MONTREAL
Closing prices July 22

[illegible]

NEW YORK

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

RISES AND FALLS

[illegible]

TORONTO

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

Indices

[illegible]

LONDON — Most Active Stocks
Wednesday, July 22, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Brit Gas	16.0m	181½	−6	BP	8.5m	382½	−12½
Hanson Tr.	13.8m	182	−5½	Beecham	8.4m	564	−12
Storehouse	10.0m	313	−3	Brit Telecom	7.5m	287	−4½
Boots	9.1m	300	−9	Plessey	7.0m	208	−7
Sears	8.7m	172½	−2	BTR	6.8m	335	−7

TOKYO — Most Active Stocks
Wednesday, July 22, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Nippon Steel	22.37m	381	−2	Toshiba	7.87m	595	−9
Teikoku Oil	9.33m	1,030	+44	Nisshin Steel	6.69m	412	−3
Matsushita Elec Ind.	8.51m	2,259	−130	Japan Line	6.12m	233	+1
Mitsubishi H. Ind	8.44m	544	−1	Ishikawajima-Harima	5.08m	582	−14
Tokyo Gas	8.26m	925	−56	Sumitomo Metal Ind	5.03m	289	+1

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:

Brit Benz	144	+6
Carlco. Eng.	885	+22
Stead & Simp. A	130	+8
Sun All.	£10⅝	+⅛
Tip Top	180	+9

FALLS:

Tr. 13½pc 1004-08	£133⅝	−2⁷⁄₃₂
Ex. 12pc 2013-17	£126¹¹⁄₁₆	−2³⁄₃₂
Amstrad	175	−11
BOC	512	−20
Brit Gas	181½	−6
Brit Petro.	382½	−12½
FKI Elecs	172½	−15½
GEC	240	−9½
GKN	359	−21
Land Secs	550	−21
Legal & Gen	318	−21
Lloyds Bnk	398	−10
MEPC	531	−23
Mrks & Spncr	251	−10
Stew. Wrightson	608	−35
Thron EMI	756	−19
Unigate	409	−7
Utd. Scientif.	312	−27

N. AMERICAN QUARTERLY RESULTS

SCOTT PAPER
Pulp and paper

Second quarter	1987 $	1986 $
Revenue	1bn	829.5m
Net income	58.8m	56.3m
Net per share	1.54	1.50
Six months		
Revenue	1.97bn	1.63bn
Net income	107.8m	95.4m
Net per share	2.82	2.55

SQUIBB
Pharmaceuticals

Second quarter	1987 $	1986 $
Revenue	532.2m	424.2m
Op. net income	95.3m	70.4m
Net per share	0.91	0.65
Six months		
Revenue	1bn	810.8m
Op. net income	164.6m	116.5m
Net per share	1.57	1.08

UNITED
Telecommunications

Second quarter	1987 $	1986 $
Revenue	731m	818.9m
Net income	†118.3m	56.2m
Net per share	†1.20	0.57
Six months		
Revenue	1.43bn	1.61bn
Net income	†104.8m	102.7m
Net per share	†1.07	1.12

VF CORP
Jeans

Second quarter	1987 $	1986 $
Revenue	640.7m	345.5m
Net income	42.8m	29.9m
Net per share	0.63	0.48
Six months		
Revenue	1.22bn	662.3m
Net income	75.3m	55.5m
Net per share	1.11	0.89

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock		Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35	20⅛	AAR	s	.50	1.5	22	99	32¾	32⅜	32⅝	−⅛
37	22	ADT		.92	2.7	19	150	34	33½	33⅞	+⅛
30	16¾	AFG	s	.16	.6	10	362	29⅛	28½	29	
22⅝	6⅜	AGS	s			17	2767	16¾	16⅛	16⅝	−⅛
11½	6¾	AMCA					12	9⅝	9⅝	9⅝	−⅛
9⅝	4⅞	AM	Intl				903	7⅛	6⅞	7⅛	+⅛
62⅞	47½	AMR				12	2421	59⅞	58⅛	59½	+¼
27½	24⅞	ANR	pf 2.67		10.		1	26	26	26	
25	22¼	ANR	pf 2.12		9.2		11	23	23	23	
11¾	8	ARX	s			12	30	10⅝	10½	10½	−⅛
73½	30⅝	ASA		2a	3.1		1963	66⅛	63½	65	+2¼
20	9¼	AVX			1.9	64	139	17¼	16¾	16¾	−½
67	41	AbtLab		1	1.6	25	2870	62½	61⅞	62¼	+¼
26	24⅝	Abitibi	g				225	24⅞	24⅝	24⅞	+⅛
28¾	16⅝	AccoWs		.44	1.5	28	1910	28¾	28⅝	28¾	
15⅛	9	AcmeC		.40	2.9	10	297	14⅛	13⅞	13⅞	−½
8⅝	6⅛	AcmeE		.32b	4.1	30	2	7⅞	7⅞	7⅞	−⅛
23⅞	19	AdaEx		3.42e	15.		127	22⅛	21⅝	22⅛	−⅛
19½	11⅜	AdmM	s	.24	1.7	11	16	14¼	14⅛	14¼	−⅛
25⅛	12⅛	AdvSys		.62t	2.7	17	115	23¼	23	23¼	−¾
24½	12⅞	AMD					5280	17¼	16¾	16⅞	−⅜
54¼	47	AMD	pf	3	6.4		133	47⅜	47	47	−⅞
10¼	5¼	Adobe					315	10⅝	10	10⅛	−¼
20½	13¾	Adob	pf	1.84	9.6		4	19¼	19⅛	19⅛	−⅛
21⅞	16⅝	Adob	pf	2.40	11.		23	21¼	21	21¼	+⅛
15⅝	10⅝	Advest		.12a	1.0	9	496	12⅛	11⅞	12	−⅛
68¼	53	AetnLf		2.76	4.7	9	1509	58¾	58⅝	58⅞	−⅛
53⅝	51⅛	AetL		pf3.75e	7.3		4	51⅝	51⅝	51⅝	
68¾	26½	AlliPb	s	.32	.5	21	279	67½	66¾	67¼	+½
28⅝	18⅝	Ahmans		.88	4.5	7	12138	20⅛	19¼	19⅝	−¾
5⅜	2⅞	Aileen					40	3⅞	3¾	3⅞	
50¼	29½	AirPrd		1	2.1	23	467	47⅝	47⅛	47¼	−⅛

Continued on Page 37

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NYSE COMPOSITE CLOSING PRICES

Continued from Page 36

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls = sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Div	P/E	Sales (Hds)	High	Low	Last	Chng
AllBsh		22	259	14⅛	13⅝	13⅞	−¼
AgncyR	t	25	123	22¼	21¾	21¾	−½
Agnicog	.20		1167	27	26½	27	+¼
AirWisc			138	10	9¾	10	
AlaFdls	.10i	5	60	17	16¾	17	+¼
AlcoHlt		16	20	20	19⅞	19⅞	−⅛
AlexBrs		12	154	18½	18½	18½	−½
AlexBld	1.36	13	1079	57	55	57	+1¾
AlegW	.30	12	36	27½	27½	27½	
AllegSv			254	13½	13⅜	13⅜	−⅛
Allient		52	79	20¼	19¾	20¼	+¼
AlldBn			1138	9¼	9⅛	9¼	+⅛
Altos		23	513	12⅝	12½	12⅝	
Amcast	.44	12	64	12¼	12	12	+⅛
AWAirl			2579	7¾	d 7⅛	7¼	−⅜
ABnkr	.50	6	17	13	13	13	
AmCarr		13	473	10⅛	10	10	
AContls		6	36	7⅝	7½	7⅝	−⅛
AGreet	.66	15	1899	28½	28⅛	28⅜	
AmInLf	.40	9	32	12⅝	12⅜	12⅜	−⅛
AMSs		29	794	16⅛	15⅝	16	+¼
ANtins	1.32	5	194	37¼	36½	36¾	−¼
ASvNY	.30e	5	361	15¾	15½	15⅝	+¼
ASNYpf	1.87		84	20⅝	20⅜	20⅝	+⅜
ASofts	.12	19	613	16	15⅝	15⅞	+⅛
ATvCm		100	939	26½	25⅞	26⅛	−⅛
AmFtFd			404	11¾	11⅝	11⅝	
Amritrs		138	292	25	24⅞	24⅞	
Amgen		350	1686	29¼	27¾	28	
AmskBk	.64	9	169	21½	20¾	21½	+¼
AMREs			297	18½	17½	18⅛	+⅝
Amvsts	.20	30	164	7⅛	6¾	6⅞	−⅛
Anlogic		13	215	11⅞	11¾	11⅞	+⅛
AndvSv	.45e		98	18¾	18½	18½	−¼
Andrew			89	15	14½	15	+¼
Anitecs	.30	16	153	23	22¾	23	
FFdCal		7	15	26½	26	26½	
FFFtMs	.48	6	16	22¾	22¾	22¾	+½
FFdPR			56	10	9¾	9¾	
FtFMgs		22	648	26¾	25½	25¾	
FtFlBk	.72	10	575	30⅞	30⅝	30⅝	−⅛
FtHaws	.90	10	251	24¾	24	24¾	+¼
FIllCps	.44	18	452	u17⅜	16⅞	17⅜	+¼
FJerN	1.80	11	67	54⅜	54⅛	54⅛	−¼
FtKyNt	.84	13	119	23¾	23¼	23¼	
FMdBs	1	11	17	34	33¾	33¾	−½
FtMdSs		17	15	20½	20	20½	+½
FNCinn	1.56	12	18	40¾	40½	40½	−¼
FNHBs	.60	11	68	28	27½	27½	−½
FtSFla	.80	31	127	41	40¼	40¼	

WE REGRET that this listing is incomplete due to communication problems.

Stock	Div	P/E	Sales (Hds)	High	Low	Last	Chng
K K							
Kaman	.52	15	257	30¼	29⅞	30¼	+½
Karchr			155	26⅜	26	26⅜	
Kaydon	.10e	20	121	32	31½	31¾	+½
KlySvA	.70	24	248	58	56½	56¾	−¼
Kemps	.80	8	1574	32	31¾	32	
KyCnLs		8	298	14½	14¼	14⅜	+⅛
Kinder	.03e	20	2776	18⅛	17⅞	18⅛	
Krugers		18	273	10½	10	10⅛	−¼
Kulcke			26	11½	11¼	11¼	−⅛

Continued on Page 35

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Stocks steady despite worries over Gulf

WALL STREET

HALTING a two-day slide, Wall Street stock prices drifted little changed in moderately heavy trading yesterday despite worries over US naval operations in the Gulf, *writes Roderick Oram in New York.*

Credit markets gave no support to stocks as bond prices fell more than half a point. Investors continued to worry about inflation even though the consumer price index increased only modestly in June.

The Dow Jones industrial average closed up 2.23 points at 2,470.18. It had traded most of the day in a narrow range a few points either side of its previous close.

The broader market was less successful at holding the line, and the Standard & Poor's 500 index slipped 0.08 of a point to 308.47 and the New York Stock Exchange composite index lost 0.14 to 173.45. NYSE volume was 175m shares with declining shares outnumbering those advancing by a ratio of four to three.

Oil stocks were one of the poorest performing sectors even though crude oil futures edged higher because of tensions in the Gulf. Exxon fell $1⅞ to $92⅞, Chevron lost $1⅜ to $60⅛, Mobil gave up $1⅛ to $52¼, Amoco was down $1⅛ to $84¾ and Atlantic Richfield was off $2 to $94.

Digital Equipment dropped $7½ to $157½. The computer maker's second-quarter profits of $2.85 a share, compared with $1.81 last year, were below analysts' forecasts.

In the takeover arena, Trans World Airlines rose $1⅞ to $34⅛ after receiving a proposal from Mr Carl Icahn, its chairman, to make it a private company. Shareholders would be offered $20 cash and $20 of securities for each existing share. The airline also reported a second-quarter profit of $52.8m against a loss of $87m a year earlier.

Argonaut Group jumped $8⅜ to $49½. The insurance company received a takeover offer of $52 a share from Clarendon Group, a privately held Bermuda company with insurance interests.

Del E. Webb added $1⅜ to $25⅛. The Nevada hotels, casino and real estate group said it was considering sale of parts of the group or other forms of restructuring. Later, a foreign investment group including Industrial Equity (Pacific) of Hong Kong said it had a 9.3 per cent stake in Webb.

Fireman's Fund fell $⅛ to $34⅞. It reported a second-quarter loss of $115.5m after adding substantially to its loss reserves in anticipation of heavy asbestiosis claims.

Among companies reporting strong performances, Sears, Roebuck, the largest US retailer, added $1⅛ to $53 on a 37 per cent increase in net profits. It was helped by higher profits at its Dean Witter securities house.

In contrast, First Boston, off $⅛ to $44½, reported a small overall loss after suffering a $100m loss trading Treasury bond options during this spring's credit markets turmoil. Morgan Stanley, up $2⅛ to $69, appeared to have avoided trading losses and turned in sharply higher profits.

News that the consumer price index rose only 0.4 per cent in June from May, in line with forecasts, did nothing to improve the bearish mood of the bond markets. Rumours on Tuesday afternoon that the figure would be 0.9 per cent had knocked more than a point off prices.

Prices continued to fall, leaving the 8.75 per cent benchmark Treasury long bond down 15/32 of a point at 99 21/32 yielding 8.78 per cent by late afternoon.

Shorter-term rates were little changed though the Treasury cancelled as expected yesterday afternoon's auction of $9.75bn of two-year notes. The Treasury is unable to sell any more securities until Congress increases the federal government's debt ceiling.

Yields on three-month Treasury bills fell seven basis points, however, to 5.78 per cent as the bills became more scarce. Traders and investors are getting concerned that the cancellation of more auctions will put a lot of new issue pressure on the markets ahead of the August refunding by the Treasury. Interest rates might have to give investors sufficient appetite for the paper.

The bearish mood was also exacerbated by the start of tanker-escorting in the Gulf by the US Navy. The danger of a serious clash between the US and Iran is making markets jittery.

In addition, the markets are still mulling over the congressional testimony on Tuesday by Mr Paul Volcker, the retiring chairman of the Federal Reserve Board, and Mr Alan Greenspan, his nominated successor. Some people took their comments rather negatively and consequently expect a small tightening of monetary policy by the Fed.

Many others thought their message positive and were not unduly concerned that Mr Volcker said the Fed had not eased its policy in recent weeks as the market thought.

CANADA

WEAKNESS on Wall Street spread to Toronto, and prices drifted lower across the board.

Metals and mining shares lost more of last week's gains. Cominco was the exception, adding C$⅛ to C$20¼ as it settled with striking workers at zinc and lead operations. Inco, however, was C$¼ down at C$26⅜ and Noranda C$¼ off at C$34.

Banks performed drably, with Canadian Imperial Bank of Commerce C$⅛ higher at C$22¾, Royal Bank steady at C$35½, but the Bank of Nova Scotia C$⅛ off at C$18.

Montreal stretched recent losses. Vancouver firmed slightly.

BAA tender six times subscribed

THE PARTIAL tender offer for the flotation of BAA, formerly the British Airports Authority, has been six times oversubscribed.

The UK Government claimed that use of the tender had yielded an extra £56m in proceeds for British taxpayers.

County NatWest, the Government's merchant bank adviser on the issue, announced that the cut-off price for the tender would be 282p. That means most bidders will be disappointed by the allocation: only about 10 per cent of applicants tendered at or above that level.

The average price of all the successful bids was 290p, compared with a fully-paid price of 245p for shares in the fixed price offer. Since the number of shares sold in the tender was 125m – a quarter of the total issue – the Government is claiming that it has gained an extra £56.25m.

A total of 88,800 applications were received for 759.2m shares, which was six times the number on offer. Applicants who bid above 282p will have their applications met in full; those who bid exactly 282p will receive 15.3 per cent of the shares applied for; and those who bid below 282p will receive none.

County NatWest would not reveal the highest bid, but it said some institutional investors had exceeded 310p.

Stockbrokers' analysts, however, preferred to reserve judgment until the start of official dealings next Tuesday morning. Some suggested that the successful bidders looked dangerously exposed to a falling market, and if yesterday's downturn were repeated, they could well emerge as sellers in an atempt to cut their losses.

The grey (unofficial) market price for the 100p partly-paid shares fell sharply from 147p bid 152p offered to 140p/145p yesterday. Cleveland Securities, the licensed dealer making the price, said this was in response to wider market conditions rather than any adverse response to the cut-off price.

Richard Tomkins

Lex, Page 14

London plunges

NEWS of a substantially worse UK current account deficit for May than had been expected sent equities into one of the heaviest daily falls of the year.

The FT-SE 100 index fell 46 to 2,344.5. Its biggest ever daily fall was 46.1 on March 30 this year. The FT Ordinary index lost 39.6 to 1,832.4.

Gilts also fell heavily, showing a net loss at the close of 2¼ points. Details, Page 34.

EUROPE

Losses on Wall Street cast a long shadow

TRANSATLANTIC influences continued to weigh on some European bourses yesterday while others found limited support from domestic factors. The bull run in Norwegian shares ended in a wave of profit-taking.

Frankfurt remained depressed by Wall Street's losses and prices fell on further profit-taking despite a slightly higher dollar fixing against the D-Mark. Rumours that Japanese investors were selling West German bank stocks unsettled the market.

Dresdner Bank described the bourse as overbought and recommended selling stocks that had made above-average gains in the recent run-up.

The Commerzbank index lost 6.5 to 1,952.2.

The key banking, car and chemical sectors were the worst hit. Banks came under pressure from analysts' forecasts of poor earnings this year, and Deutsche Bank lost DM 15.50 to DM 649 while Dresdner was off DM 4.50 at DM 337.50.

Allianz, the insurance group, rose DM 9 against the trend to DM 1,981 after it said growth should continue this year following an improvement in 1986 profits.

In the car sector, Daimler was down DM 14 at DM 1,146 in advance of an extraordinary meeting of the supervisory board. VW shed DM 10.50 to DM 393 and BMW lost DM 3.50 to DM 695.

Electrical AEG fell back DM 3.70 to DM 323.50 as rumours faded that Daimler would increase its stake.

Chemicals saw BASF down DM 4.50 to DM 312, Bayer easing DM 1.70 to DM 342.50 and Hoechst off DM 3 to DM 320.50.

Rumours, later confirmed, that retailer Asko might be buying a stake in Massa, pushed up Massa's price by DM 1 to DM 489 while Asko shed DM 6 to DM 1,941.

Bonds finished mostly stronger on short-covering. The Bundesbank bought DM 12.7m worth of paper after selling DM 14.4m on Tuesday.

Amsterdam fell back on Wall Street's fresh decline overnight and the weakness in Frankfurt.

Internationals were undercut by profit-taking with Royal Dutch down Fl 2 to Fl 288.30 as oil prices fell in the wake of the safe passage of the US convoy through the Straits of Hormuz. Unilever lost Fl 1.40 to Fl 140.20.

In the publishing sector, Kluwer lost Fl 2 to Fl 405 and Elsevier 40 cents to Fl 54.80. News of Walter Samsom's purchase of 5 per cent of Kluwer ordinary shares came too late for the market.

Zurich finished mixed as bargain-hunting alternated with profit-taking. Banks were mainly easier, with Bank Leu down SFr 35 at SFr 3,590. It said it expected good 1987 results despite a lower first half.

UBS lost SFr 80 to SFr 4,925 and Crédit Suisse fell SFr 40 to SFr 3,300.

In chemicals, Hoffmann-La Roche added SFr 225 to SFr 14,475 after forecasting good results for the year.

Brussels was mixed in fairly quiet trading after the long-weekend holiday. The stock exchange index continued its climb through record territory with a 7.07 rise to a peak of 5,089.62.

Supermarket chain GB Inno added BFr 40 to BFr 1,346 but chemical Solvay lost BFr 175 to BFr 13,950.

Paris ended mixed to higher, with construction and electronics stocks performing best. A rise in May industrial production helped lift the mood. Bouygues picked up FFr 38 to FFr 1,130 and Thomson-CSF added FFr 16 to FFr 1,311.

Milan had an active session, closing mixed to slightly higher. Fiat gained L58 to L12,457 and Montedison L66 to L2,576.

Oslo fell back in active profit-taking and the all-share index lost 1.63 to 352.28

Stockholm was again lower in quiet trading. Foreign buying of Swedish shares increased in June, reversing a trend that began last summer when Sweden doubled its turnover tax.

Madrid ended in featureless trading.

SOUTH AFRICA

BUSY BUYING of quality shares drove Johannesburg prices to further records. The composite index rose 13 to 2,596.

Golds motored ahead on the strong bullion price, with bellwether Vaal Reefs up R2 at R489 and Kinross R2 higher at R75. The sector index picked up 18 to a new high of 2,362.

In other minings, Impala Platinum rose 75 cents to R54.75

Industrials also advanced to a new peak.

ASIA

Nikkei recovery dashed by US trade bill news

TOKYO

HIGH TECHNOLOGY and consumer stocks came under significant small-lot selling pressure in Tokyo yesterday, driving share prices sharply lower for the fourth consecutive trading day, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average dropped 375.62 to 22,702.74, slipping below 23,000 for the first time since April 28. The closely followed market barometer has just lost 12.5 per cent from its peak of 25,929 reached on June 17.

Volume was 421m shares compared with Tuesday's 440m. Declines led advances by 673 to 237, with 119 issues unchanged.

The market started strongly, encouraged by the relaxation of margin trading restrictions, and the Nikkei was up 126 points in mid-morning. Later, however, news that the US Senate had passed its omnibus trade bill drove the market lower.

Amid this bearishness, only a few issues proved popular. Teikoku Oil, with 9.32m shares traded, surged Y44 to Y1,030, supported by rising crude oil prices. Nippon Shinpan and Seibu Credit gained Y10 and Y200 to Y1,390 and Y3,300, respectively.

Tokyo Steel leapt Y110 to Y1,490, bolstered by the recovering rolled steel market, while Green Cross, reporting good performance, ended Y30 higher at Y2,800. Fujiya registered a maximum permissible one-day gain of Y100 to Y1,460.

However, large-capitalisation stocks fell widely. Nippon Steel, though the leading active with 22.37m shares changing hands, closed Y2 lower at Y301.

High-technology stocks were also weak. Matsushita Electric Industrial, on trade of 8.51m shares, plunged Y130 to Y2,250. NEC lost Y50 to Y1,850 and TDK Y30 to Y4,650.

The bond market extended its losses, despite the purchases of outstanding long-term government bonds by the Finance Ministry's Debt Consolidation Fund, a move designed to prop up the faltering bond market.

In early trading, the yield on the 5.1 per cent government bond, maturing in June 1996, fell to 4.570 per cent from 4.655 per cent at the close on Tuesday.

Later, however, the benchmark issue came under heavy selling pressure because it was not covered by the buying operation, pushing up its yield to 4.770 per cent at the close of yesterday's trading.

In inter-dealing trading later, the yield rose further, reaching 4.840 per cent.

Cash mountain builds up in Japan, Page 19

HONG KONG

OPTIMISM over results due today and Friday from the Wharf group of companies revived Hong Kong's bulls to lift prices broadly. The Hang Seng index added 26.63 to 3,380.41.

Wharf Holdings closed at HK$9.60, a rise of 20 cents spurring a latterly sluggish commercial and industrial sector.

In properties Cheung Kong and Hang Lung added 10 cents each to HK$12.60 and HK$15.90.

AUSTRALIA

WIDESPREAD profit-taking continued to depress Sydney share prices in heavy trade, despite the stimuli of higher bullion prices and lower domestic interest rates. The All Ordinaries index fell 12.5 to 1,961.4.

Golds and resource issues were heavily sold. Elder Resources and Giant Resources both shed 15 cents to A$3.55 and A$3.30, respectively.

Financial services group Clayton Robard added 20 cents to A$6.40 on news it was the bid target of UK group Tyndall Holdings.

SINGAPORE

FALLING back nervously after an early buying spree, Singapore share prices closed down in busy trade. The Straits Times industrial index closed 8.39 lower at 1,385.87.

Blue chips suffered worst from the profit-taking amid rumours that the Government was investigating several unnamed companies for irregular share dealings.

Among falling issues Genting lost 30 cents to S$7.00, Singapore Press 25 cents to S$9.60 and Singapore Land 20 cents to S$8.80.

South Africa seeks Taiwan's cash

SOUTH AFRICA is seeking Taiwanese investment in its stock market for the first time, Mr Anthony Norton, head of the Johannesburg Stock Exchange, said yesterday, *Reuter reports from Taipei.*

Mr Norton was on a six-day visit to Taiwan, meeting representatives of major brokerage firms and companies.

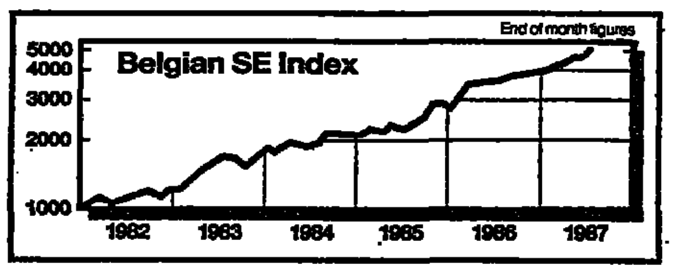
"We are short of capital and will first offer gold mining shares to Taiwanese investors," he said. Investment from Taiwan would help boost trade and economic relations between Taipei and Pretoria, he added.

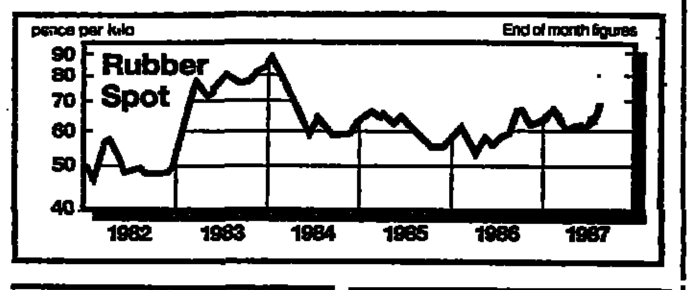
The Taiwan Securities and Exchange Commission (SEC) and the stock exchange described the timing of Mr Norton's promotion as "very good."

Individuals and companies in Taiwan will be allowed to invest in overseas stock markets following last week's lifting of foreign exchange controls.

"The investment in foreign stocks is in line with our Government's plans to help reduce our huge foreign exchange reserves," said an SEC spokesman.

KEY MARKET MONITORS





STOCK MARKET INDICES

	July 22	Prev	Year ago
NEW YORK			
DJ Industrials	2,460.62*	2,467.95	1,795.13
DJ Transport	1,036.62*	1,032.93	729.75
DJ Utilities	200.43*	200.71	205.31
S&P Comp.	308.37*	308.55	238.18
LONDON FT			
Ord	1,832.4	1,872.0	1,286.8
SE 100	2,344.5	2,390.5	1,559.20
A All-share	1,191.84	1,212.95	779.84
A 500	1,315.07	1,339.0	854.08
Gold mines	446.3	437.1	197.2
A Long gilt	9.39	9.19	9.61
World Act. Ind (July 21)	126.73	127.89	92.02
TOKYO			
Nikkei	22,702.74	23,078.36	17,639.3
Tokyo SE	1,888.27	1,915.64	1,395.02
AUSTRALIA			
All Ord.	1,961.4	1,973.3	1,136.7
Metals & Mins.	1,242.2	1,262.2	506.3
AUSTRIA			
Credit Aktien	224.13	223.22	233.25
BELGIAN SE			
	5,098.60	(c)	3,642.06
CANADA			
Toronto			
Met.& Mins.	3,160.4*	3,160.7	2,009.0
Composite	3,944.8*	3,953.6	2,971.1
Montreal			
Portfolio	1,977.66*	1,987.38	1,485.74
DENMARK SE			
SE	(–)	203.39	206.92
FRANCE			
CAC Gen	404.50	407.50	363.7
Ind. Tendance	103.80	103.40	86.03
WEST GERMANY			
FAZ-Aktien	642.42	646.55	583.92
Commerzbank	1,952.20	1,958.70	1,762.4
HONG KONG Hang Seng	3,380.41	3,353.78	1,791.53
ITALY Banca Comm.	699.08	698.49	682.85
NETHERLANDS ANP CBS			
Gen	319.80	319.50	282.0
Ind	271.60	269.60	262.8
NORWAY Oslo SE	459.29	(–)	347.39
SINGAPORE Straits Times	1,385.80	1,394.20	728.78
SOUTH AFRICA JSE			
Golds	2,346.0	2,290.0	1,335.6
Industrials	2,106.0	2,069.0	1,214.9
SPAIN Madrid SE	262.01	263.07	172.15
SWEDEN J & P	2,826.60	2,848.73	(–)
SWITZERLAND Swiss Bank Ind	651.50	646.80	2,455.80

COMMODITIES (London)

	July 22	Prev
Silver (spot fixing)	483.95p	478.85p
Copper (cash)	£1,065.0	£1,024.50
Coffee (July)	£1,245.00	£1,247.00
Oil (Brent Blend)	$20.025	$20.350

GOLD ($/oz)

	July 22	Prev
London	$454.75	$452.25
Zürich	$455.25	$452.25
Paris (fixing)	$451.11	$450.76
Luxembourg	$454.35	$453.10
New York (August)	$455.7	$453.70

CURRENCIES (London)

	US DOLLAR July 22	US DOLLAR Previous	STERLING July 22	STERLING Previous
$	–	–	1.5945	1.5960
DM	1.8630	1.8655	2.97	2.9775
Yen	152.30	152.70	242.75	243.75
FFr	6.1975	6.2025	9.8825	9.90
SFr	1.5450	1.5480	2.4625	2.47
Fl	2.0975	2.100	3.345	3.3525
Lira	1,346	1,348	2,146.25	2,151
BFr	38.60	38.55	61.55	61.55
C$	1.3205	1.3210	2.1070	2.1075

INTEREST RATES

Euro-currencies (3-month offered rate)	July 22	Prev
£	9⅝	9⅝
SFr	3¾	3 11/16
DM	3 15/16	4
FFr	8	8
FT London Interbank fixing (offered rate)		
3-month US$	6 13/16	6⅞
6-month US$	7⅛	7 1/16
US Fed Funds	6½*	6⅝
US 3-month CDs	6.55*	6.775
US 3-month T-bills	5.685*	5.86

FINANCIAL FUTURES

CHICAGO

	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
July 22 (Sept)	90-06	90-26	89-28	90-20
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	94.02	94.14	94.00	94.08
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	—	—	—	—
LONDON				
Three-month Eurodollar $1m points of 100%				
(Sept)	92.78	92.85	92.76	92.83
20-year Notional Gilt £50,000 32nds of 100%				
(Sept)	120-25	122-28	120-12	122-28

US BONDS

Treasury

	July 22 Price	July 22 Yield	Prev Price	Prev Yield
7⅞ 1989	99 29/32	7.42	99 31/32	7.389
7 1994	98 7/32	8.33	98 23/32	8.243
8½ 1997	99 19/32	8.53	100 14/32	8.43
8¾ 2017	99 21/32	8.77	101 5/32	8.648

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	July 22 Return index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	–0.03
1–10	154.63	+0.12	6.66	–0.03
1– 3	144.03	+0.07	6.37	–0.03
3– 5	157.57	+0.17	6.71	–0.03
15–30	193.58	+0.59	7.78	–0.03

Source: Merrill Lynch

Corporate

	July 22 Price	July 22 Yield	Prev Price	Prev Yield
AT & T 3⅝ July 1990	93.24	6.45	93.48	6.35
SCBT South Central 10⅞ Jan 1993	102.0	10.39	102.5	10.28
Phibro Sal 8 April 1996	91.52	9.45	91.8	9.4
TRW 8⅞ March 1996	96.21	9.40	96.49	9.35
Arco 9⅞ March 2016	100.21	9.85	101.66	9.70
General Motors 8⅜ April 2016	83.58	9.85	84.82	9.70
Citicorp 9⅞ March 2016	91.51	10.30	91.94	10.25

Source: Salomon Brothers

* Latest available figures

SECTION III

FINANCIAL TIMES

SURVEY

Voters will have their chance next month to pass their verdict on the quiet revolution introduced by Prime Minister David Lange. His Labour government has brought in radical financial, economic and social reforms aimed at projecting the country into a new era. **Chris Sherwell** reports.

New Zealand

Prime Minister David Lange—and, behind him, the Parliament building in Wellington

CONTENTS

● **Pictures by Glyn Genin and Ashley Ashwood.**

Pioneer land's tough course

THE SCENE is dramatic. Across a flimsy wooden bridge suspended above a treacherous river gorge, sturdy pioneers and a pack of sweating horses are hauling a heavy cart of best ale to thirsty miners high in the mountains.

Suddenly a plank snaps, a wheel sticks. The chasm beckons, and for a few grim moments it is touch and go. But determination wins through — and since this is an advertisement, so does the beer.

The ad has been showing in New Zealand movie theatres for a few months, and its storyline fits easily into local audiences' perceptions about their country's heroic past.

But the drama also reflects well the critical state of the country, as Mr David Lange's Labour Party government seeks re-election on its extraordinary effort to drag New Zealand into a new era.

Says one senior minister: "If you ask a team of soldiers on the move how they feel about the course they're following, the chances are they'll be miserable and not where they want to be. We hope that people understand that we've not reached our goal yet, but we're on the right tracks and making progress."

New Zealand's situation, in short, is rather like the soldiering beer hauliers — enduring a course which is tough but necessary, painful but rewarding. So radical has been the shift in official thinking in New Zealand, and so resolute its course, it has geen dubbed "the quiet revolution."

That a revolution was needed is now widely accepted. Until July 1984, when Labour ousted Sir Robert Muldoon's National Party, New Zealand had one of the world's most over-regulated and inefficient economies outside the Communist bloc.

But while it enjoyed long periods of full employment and high living standards, its economy was distorted and deteriorating. Governments ran high fiscal and current account deficits in a misdirected bid to cope with a changing world economy.

Now Mr Lange, a 44-year-old former lawyer who started in politics only 10 years ago, is presiding over the most far-reaching economic deregulation seen in any country since the war, and one of the most ambitious and intriguing monetarist experiments yet.

At the same time his government has adopted an internationally controversial non-nuclear defence posture which has disrupted the Anzus alliance with the US and Australia, stirred the ire of Washington and left New Zealand more than geographically isolated.

To an outsider—even to the 3.3m New Zealanders—the overall effect is bizarre. A Labour government has embraced right-wing economic policies, backed an isolationist defence stand and shelved traditional social goals. In the process the conservative National party's interventionist past has looked positively socialist.

That Mr Lange's programme fits into no known concept of socialism is partly because his party is more social democratic than socialist, and partly because New Zealand already has a well-developed welfare state with a history longer than Britain's.

His government has nevertheless had to justify its economic policies by insisting that the basis on which New Zealand creates wealth must be radically changed if people are to be better off overall and in the longer term.

In its view, the cost of government economic intervention had become far too high. That involvement therefore had to be reduced and made more efficient. Mr Lange likes to say this is little different from the path followed by other OECD countries, but the difference lies in the vigour with which Labour is pursuing it.

The spearhead on the economic front is Mr Roger Douglas, the determined Finance Minister who, virtually single-handed, has taken the Government down a route advocated by young Treasury and reserve bank officials who became imbued with free-market ideas and, after the Muldoon experience, anxious to make economic management "politician proof."

The changes have been sweeping. Deregulation has transformed the financial sector. Major businesses (like Fletcher Challenge) and businessmen (like Mr Ron Brierley) have become well-known abroad. Agriculture, manufacturing, construction, trade and tourism are undergoing irrevocable shifts. Government itself is being streamlined.

The impact is being watched closely, at home and abroad. Economists and bankers, Western defence estblishments and governments, other Labour and Social Democratic parties in Britain, Australia and elsewhere—all have a keen interest in the progress and outcome of Mr Lange's extraordinary experiment.

A chance to measure domestic reaction will come on August 15, when New Zealand goes to the polls just one month short of the deadline. In going for a second term Mr Lange will be seeking something two of his three Labour predecessor governments never managed.

The omens are mixed. But it is clear that the important New Zealand defence question is not a vote winner for either party, and therefore holds few electoral risks for Labour.

Broadly speaking, a majority of New Zealanders support the Government's anti-nuclear policies. A majority are also unhappy at the break in the Anzus alliance, but that alone will not make them vote National.

Even if it did, it would probably take more than permission from a National government for port visits by US naval ships to convince Washington that popular sentiment in New Zealand has reversed itself.

By contrast, the impact of Labour's economic reform programme is likely to be the key issue in the election campaign. Unfortunately for Labour, despite all the remarkable changes being wrought, the catalogue of painful consequences is long.

Gross domestic product contracted by 0.8 per cent in the 1986-87 financial year which ended in March, and the reserve bank expects a greater contraction of 1.3 per cent in the current year. Real disposable incomes fell almost 4 per cent last year.

The inflation rate meanwhile soared to 18.2 per cent, though boosted by the new 10 per cent goods and services tax, the rate will still be high by OECD standards in the current year, when the consumer price index is forecast to increase by 8.8 per cent.

At the same time, the unemployment level has risen to a high 5.6 per cent and seems destined to move still higher because of the economic slowdown and job losses from Mr Douglas's ambitious "corporatisation" of nine Government departments.

Interest rates also remain at high levels. In the first five months of 1987, rates of 23 to 26 per cent obtainable on three month bills and yields on two to three-year Government bonds were 18 to 19 per cent.

To audible sighs of relief, these rates have since weakened. As important, the budget-deficit, identified by the Government as the core of the country's economic problems, has also come under control.

From its unacceptably high level of 8.9 per cent of GDP in the year ending March 1984, the deficit fell to 6.9 per cent in 1985 and 4.1 per cent by March 1986. High state sector pay awards, increased unemployment and welfare payments and high debt payments induced by soaring interest rates all slowed the fall.

For the twelve months to March 1987 the deficit came in

Continued on page 2

Politics: next month's general election

Economy, not defence, is the decisive issue

REG BOORMAN has good reason to be anxious. He is the Labour Party MP for Wairarapa, a provincial constituency northeast of Wellington. In the forthcoming August 15 general election, his seat will be the first to go if there is a swing against Labour.

Whether that will happen is difficult to predict. Labour's 17-seat majority over the National party in July 1984 was trimmed to 15 by a by-election defeat a year later. The addition of two new seats to the 95-seat house, together with a re-drawing of boundaries, is expected to favour National.

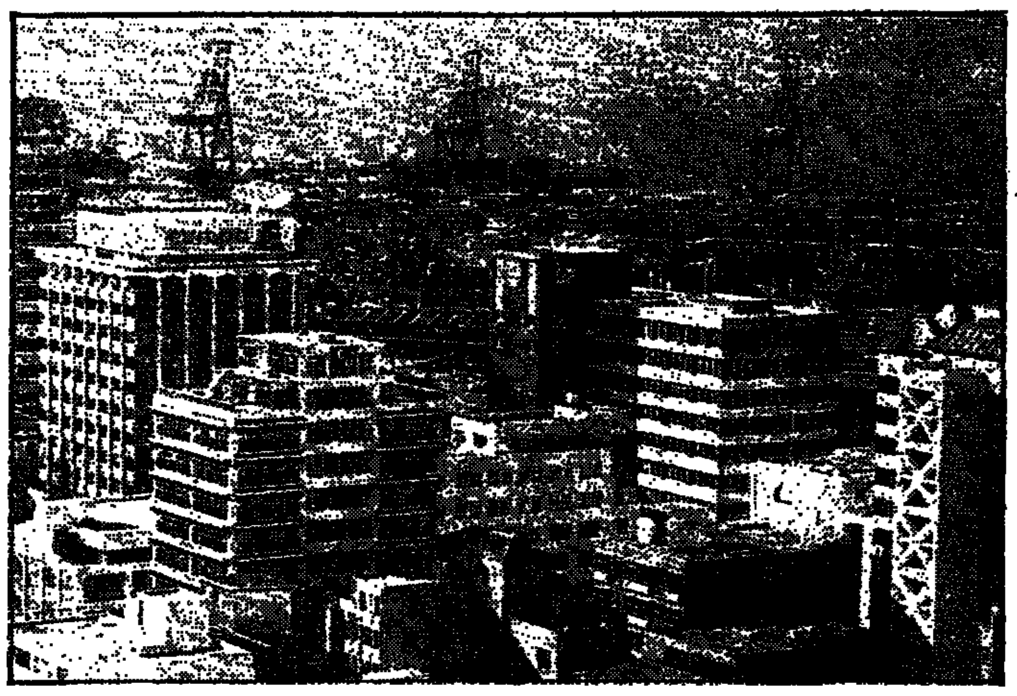
The battle will be decided in the marginal constituencies. Apart from Wairarapa, there are about a dozen under the new boundaries. A 3.5 per cent swing would give seven of them to National: 6 per cent would deliver them all.

Since the average swing over the past five elections has been 4.4 per cent, a repeat this time would lose Labour the Government. But as Prime Minister David Lange like to say, times have changed in New Zealand.

One major complication this time is that third parties will have only a minor influence compared with 1984. Reg Boorman squeezed into the Wairarapa seat by a majority of less than 400 because the new right-wing New Zealand party took votes away from the long-standing National candidate.

This time round, the New Zealand party will not be running. Created and largely funded by Mr Bob Jones, a property investor, it was formed precisely to deny victory to the Nationals and to promote policies since followed by Labour.

Likewise the small Social Credit party, which won two seats in 1984, is not expected to perform well this time round, when it will campaign as the Democrat party. As a result some analysts are suggesting New Zealand could have its first two-party chamber in almost a decade.



A general view of Wellington: the polls show that many voters are still undecided.

In Wairarapa, a total of 3,817 votes from these two small parties—almost 10 times Reg Boorman's majority—might be looking for a new home. Across the country the direction such votes take will be critical to the election outcome.

Recent opinion polls have shown a clear trend in Labour's favour and pointed to a return of the Labour government, which would suggest the re-directed third party vote will favour Labour over National.

The polls also show a large number of undecided voters, which means that turnout may be crucial. Unlike neighbouring Australia, where voting is compulsory, New Zealanders can choose not to vote if they wish.

In popular perceptions of leadership, the polls show Mr Large well ahead of his opponent, Mr Jim Bolger, the national leader. In recent months Mr Bolger was even being ranked below Sir Robert Muldoon, the former Prime Minister who lost the 1984 election and party leadership but remains in the Shadow Cabinet.

To some extent such polls are misleading, as both parties acknowledge. But they will be treated increasingly seriously as the election approaches.

As for issues, outsiders may be surprised to learn that the nuclear and defence questions are relatively unimportant to the election outcome compared to domestic economic issues or the more parochial matters of law and order or education.

Broadly speaking, a majority of New Zealanders were unhappy with the break in the US alliance which followed Labour's ban on port visits by nuclear-armed or nuclear-powered ships. But a majority also supported Labour's decision. Neither party, therefore, thinks there's much mileage in the matter as an electoral issue.

Nothing could be less true of the economy. Here Labour has not just moved to the political middle ground, it has outflanked the Nationals with a radical programme of reform designed to reduce state intervention in the economy and to make its remaining involvement more efficient.

The programme has involved a considerable amount of pain for ordinary people, notably in the form of higher unemployment, inflation and interest rates, and especially for the farm sector.

It is also taking longer to secure the full benefits than was originally hoped—certainly longer than the 3-year term of a single New Zealand government.

In Wairarapa, where 80 per cent of the electorate is actually concentrated on the small towns of Masterton, Carterton, Greytown and Featherston, there is real doubt whether Reg Boorman can beat off the challenge of his National opponent, Mr Wyatt Creech.

To the extent that Labour's policies have entailed increased unemployment, sharper inequalities and greater uncertainty, they have proved a real problem for traditional Labour supporters.

Reg Boorman himself, a 52-year-old former shop owner and taxi driver who's been active in Labour politics since the 1960s, confesses he has had a big problem adjusting to the government's stand.

Another worry for Labour is that disaffected party activists may be unwilling to campaign in the election. But there is more business support than in the past, and it is widely believed that Labour is better endowed financially than its opponents.

This support could be tempered by worries about a rear-guard action from Labour's left wing, which has installed a couple of its own representatives as parliamentary candidates in the election.

But Mr Lange dismisses such worries, saying the candidates are "not looneys" and would anyway be moderated by the life and business of parliament and by the realities of power in the parliamentary party which he controls.

In these circumstances, the National party is hoping to gain support by distinguishing itself as clearly as possible from Labour. This is not easy. Labour's policies put it on the spot, and it now accepts the thrust of Labour's programme.

The Nationals' leadership problems haven't helped. Mr Bolger replaced Mr Jim McLay, who succeeded Sir Robert Muldoon after the 1984 defeat. He has since been struggling to consolidate his position.

Sir Robert, now 66, may be down but he's not out. To many in the party he is a millstone. But he is likely to be offered a senior position in a National government, though not an economic post. If National loses, he might try to regain the leadership.

The Nationals' task is not impossible. Labour's Achilles Heel on economic policy in the business community's eyes has been its failure so far to deregulate the labour market, an essential feature of a truly radical programme. National has promised to do just this. It will also embark on a more rapid rate of privatisation.

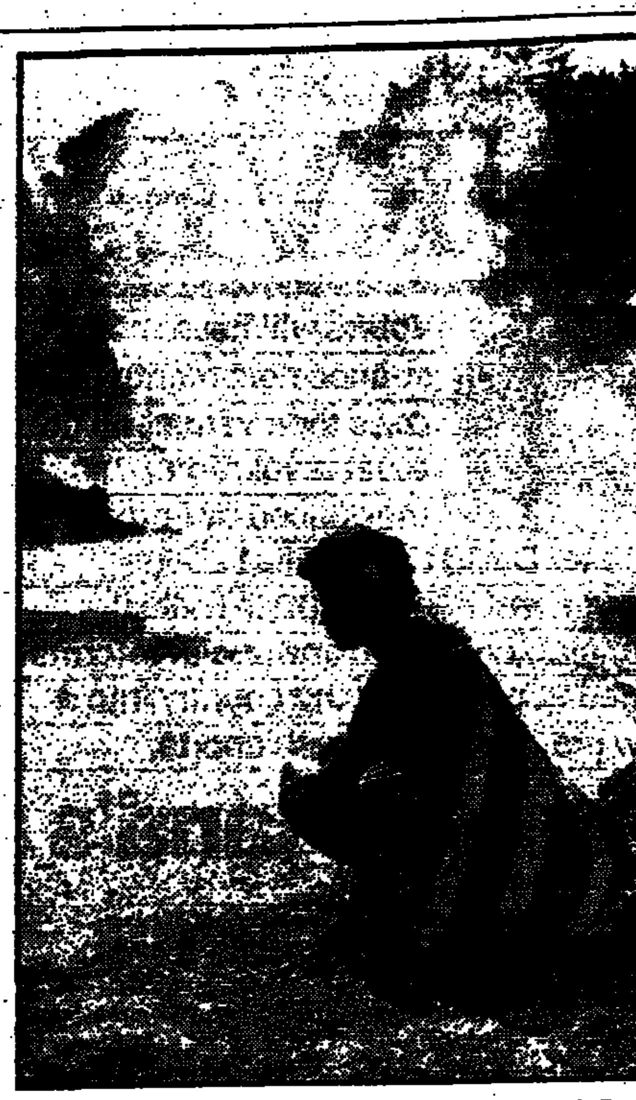
After the past three years, neither side can be absolutely sure of its sources of support. Labour has successfully retained the vital backing of the Federated Farmers for its policies, but the worst-hit are still likely to vote National.

Both parties recognise the women's vote to be critical, while sections of the blue collar vote which previously supported Sir Robert Muldoon remain unpredictable. The Maori vote is traditionally Labour, but Labour ignores the emergence of a movement defending Maori culture, language and rights at its peril.

Labour's biggest worry as it fights for re-election is that it might win a majority of votes but not a majority of seats, as happened in 1978 and 1981. A loss would prompt a tough internal conflict over ideology, even as its policies broadly continued under national.

A win would be historic, since it would mark the first occasion Labour has retained office since the war. But the test would still be on, to see whether it can hold together and continue its remarkable programme.

Chris Sherwell



In reflective mood: a Maori girl at Tikitere (or Hells Gate), Rotorua. The Maori vote is traditonally Labour, but Labour ignores at its peril the emergence of a movement which defends Maori culture, language and rights.

Tough course ahead

Continued from page 1

better than expected at NZ$1.95bn. thanks principally to the goods and services tax. Expected further revenues from this tax have allowed Mr Douglas to foreshadow a surplus in the current year.

Though this near-historic claim is being carefully interpreted, the underlying trend of improvement is clear. Another gloomy economic figure, the balance of payments deficit on current account, remains unacceptably high at NZ$2bn, but is also improving slowly.

Perhaps the worst of all is the gross external debt which overhangs the economy. At NZ$36bn—excluding short-term debt, which could itself be as much as NZ10-12bn—it is around 70 per cent of GDP.

Because the Government has been more successful at raising revenue than trimming spending, it now needs electorally sensitive cuts in the administration of defence, health, education and welfare to continue its strategy.

These will prove defficult. The radicals behind Mr Lange's policies want further, faster change, with cuts in social spending and deregulation of the unionised labour market.

Mr Lange—"remember we are a Labour government" says the Government tries to ensure that those most affected by its changes are helped through them, and with an eye on the election acknowledges that he is aiming mostly at cost-saving through greater efficiencies.

Despite this, many traditional Labour supporters wonder whether he hasn't tried too much too quickly. Initially, the pain was suffered mostly by well-off farmers, who lost their heavy subsidies and then faced weak export prices, high interest costs and plunging land values.

Latterly, however, the effects have embraced wider cross-sections of people living in provincial areas, where unemployment is reaching 10 per cent.

At the same time, the big cenres of Auckland and Wellington have escaped virtually unscathed as the benefits of financial deregulation have gone to those speculating in a booming stock market and property sector.

Labour goes into the election with a handy 15-seat majority in a house which will increase from 95 to 97 seats. But the influence of third parties will be less favourable to Labour this time round, while the redrawing of boundaries may favour National candidates. Either way, the outcome depends on a handfull of marginal seats.

The National party's main problem is that it has been outflanked by Labour in economic policy and racked by leadership problems. Mr Jim Bolger, the present leader, replaced Mr Jim McLay, who took over from Sir Robert Muldoon after the 1984, defeat, and has only now consolidated his position.

Importantly, a National party government would not take up its old interventionist posture. It would continue the thrust of Labour's policies and take them further, notably in deregulating the Laour market and following a programme of privatisation.

Labour's main worry is that its traditional supporters may decide not to campaign or vote. It has business support. But voters generally may judge that the immediate costs of restructuring the economy—in unemployment, inquality and uncertainty—outweigh the benefits, which remain as much a prospect as a reality.

Against this Labour's biggest asset is popular recognition that things had to be changed in New Zealand. Having undertaken to do this, Labour has stuck to its guns and voters may well feel it deserves to be given another three years to finish the job.

By then, the country, as the movie beer advertisement would suggest, will either have an economy wrecked in a chasm, or a population celebrating wildly.

Foreign policy/defence

Pride over nuclear ban but doubts also linger

IN THE space of three years, and largely through a single policy decision, New Zealand's Labour Government has fundamentally altered the tiny country's place in the world. Not only do New Zealanders see themselves differently—outsiders' perceptions of them have shifted, too.

The single decision was the Government's refusal to allow port visits by nuclear-armed or propelled ships, and it was part of a popular policy to make New Zealand "nuclear-free." Whether the resulting change is for the better is a matter of opinion.

Mr David Lange, the Prime Minister, speaks of a new maturity and confidence in New Zealand, and most ordinary New Zealanders outside the defence establishment seem to feel proud of the move, if doubtful about some of the consequences.

Abroad, New Zealanders are seen either as enviable, for being able to ask questions Europeans and Americans are told not to, or illogically isolationist. Wellington's friends and allies, especially in Washington, London and Canberra, are upset.

For the governments involved, the root of the matter is whether a country such as New Zealand, which is pro-Western but located in a relatively benign region of the world, must accept the nuclear obligations of the Western alliance in order to defend itself.

New Zealand's Labour Government decided "No," and the issue reached a head over the port ban, which came into force on Mr Lange's installation.

The ban was important because Washington's unswerving and "indivisible" policy is never to disclose information about the weapons its ships or aircraft might be carrying. Wellington's position therefore posed a direct threat to Anzus, the defence alliance forged in 1951 which linked the US, Australia and New Zealand.

The ban was put to the test in February 1985 over the nuclear-capable ship, USS Buchanan, which was refused permission to visit, and by June of last year, after much negotiation, it became clear accommodation was possible.

As Mr George Shultz, the US Secretary of State, said at the time: "We part company—as friends. But we part company."

US defence co-operation with New Zealand, which had been circumscribed bit by bit since 1984, was eventually suspended altogether last August. Six weeks ago, a full 19 months after first receiving it, New Zealand's parliament finally enacted the relevant legislation, the Nuclear Free Zone, Disarmament and Arms Control Bill.

Apart from implementing existing arms control agreements and the South Pacific Nuclear Free Zone Treaty, the Act bans nuclear weapons from New Zealand. Specifically, foreign ships and aircraft may visit New Zealand only if the Prime Minister is satisfied that no nuclear weapons are on board. Nuclear-powered ships are not allowed to visit at all.

In the view of the US, no compromise was possible on its non-disclosure policy. The result for New Zealand has been an end to joint military exercises, to special rights in arms sales, to staff training in the US and, most importantly, to access to US intelligence, especially satellite and electronic intelligence.

New Zealand has grown less vocal in its claim that it is still part of Anzus, but still believes the concerns of both sides can be accommodated. It claims its refusal to take part in the nuclear power game in no way represents a denial of its defence responsibilities and says it is willing to contribute its full share to the alliance in conventional defence terms.

British disappointment at New Zealand's policy surfaced in April during a visit by Sir Geoffrey Howe, the UK Foreign Secretary. On possible trade consequences for New Zealand, he said: "With your current defence policy, it is a fact of life that your cause is less likely to prevail in the European Community, 11 of whose 12 members also belong to Nato."

As with the US's initially strident reaction to the government's Anzus policy, this kind of indirect threat went down badly in New Zealand. Subsequent remarks made in a similar vein by the British High Commissioner put relations under further strain, though evidently only temporarily.

New Zealand's friends will clearly fight its corner less readily in international forums, but Wellington is not unduly concerned by this, and direct retaliatory measures by the US or anybody else is most unlikely.

At one level Mr Lange is anyway flexible. He continues to allow US military aircraft into New Zealand for "Operation Deep Freeze," the Christchurch operation which services scientific bases in Antarctica. One reason is that this is worth an estimated US$15m to the local economy.

The predictable result of all these developments is that the focus of New Zealand's foreign and defence policy is now firmly on the South Pacific—an area which, ironically, has attracted greater international attention as well.

New Zealand, along with Australia, pushed strongly and successfully for last year's promulgation by the South Pacific Forum countries of the South Pacific Nuclear Free Zone Treaty, known locally as "Spinfizz."

All its signatories have been irritated by the refusal of the US, Britain and France to join the Soviet Union and China in signing the treaty's protocols, especially as the US and Britain have indicated they will abide by its provisions.

New Zealand also joined in the Forum's successful campaign for the inclusion of the French colony of New Caledonia on the United Nations list of non-self-governing territories.

Prime Minister David Lange of New Zealand, left, with Mr George Shultz, the US Secretary of State, shake hands after their meeting failed to make any progress to resolve the dispute over access for US nuclear warships to New Zealand ports. Shultz said: "So we part company—as friends. But we part company."

Though the object of the exercise was not to attack France, it is clear that relations with France remain awkward because of France's nuclear tests in the Pacific and the 1985 sinking of the Greenpeace ship Rainbow Warrior in Auckland harbour.

Other regional developments to concern New Zealand were the Soviet Union's new fishing agreement with Vanuatu which allowed limited port rights, signs of destabilising Libyan activities in Australia, Papua New Guinea and Vanuatu, and the military intervention in Fiji which led to emergency rule by the country's Governor-General.

Though important, none compared in significance with the rupture of Anzus, which also upset New Zealand's closest friend and neighbour, Australia. Canberra has made its feelings known, but has handled its now-separate relationships with the US and New Zealand with considerable skill.

The interesting question is whether circumstances might change after the forthcoming election. According to Mr Lange, re-election of a Labour government will make little difference.

"None of our friends see us as isolationist or non-aligned," he said in an interview. Asked if there were nevertheless fences to be mended, he said: "There is only one wire broken, and that is our exclusion from Anzus operations."

The opposition National Party says that, if elected, it would allow a resumption of port visits by US naval ships. But it adds that Labour's actions mean that Anzus can never be resurrected in its original form. The party says it would therefore want to discuss with the US and Australia an appropriate but modernised relationship.

How far a new government might be able to go down this path is unclear. A majority of the public clearly feels New Zealand can and should be non-nuclear, if unsettled by the rupture of Anzus.

The well-known US view — and that of the New Zealand military — is that peace is to be secured through strong defensive alliances and hard negotiation, not through a form of pacifism and isolationism.

It has always said it wants a good relationship with Wellington, which in Washington's view has never fully appreciated the respect in which the US holds New Zealand. But as things stand a new security relationship is not even a medium-term possibility.

Chris Sherwell

Labour's sweeping liberalisation programme brings economy under control

First budget surplus for 35 years

MR ROGER DOUGLAS, the New Zealand Finance Minister, began his budget speech last month by harking back to the first Labour government of 1935 whose members, including his grandfather, "set in motion the greatest social reform in the history of this country."

The goals of the present Labour Government were essentially the same, although *the means of achieving them* had inevitably changed in response to the times, added Mr Douglas.

This is an unusual way of setting about a budget and was a sentimental attempt to convince tradition members of the party that the Government realises it is a Labour Government.

Their economic policies are anything but traditional for New Zealand Labour or National party since coming to office in July 1984. The Labour administration has adopted a more non-interventionist, free market, approach to the economy than any previous New Zealand government.

During the past three years, direct tax has been cut and indirect tax increased as part of a contractionary policy to squeeze soaring inflation out of the system; government support and subsidies have been rapidly withdrawn, state industries moved towards privatisation, and public spending brought under control.

There has been a price to pay. Growth is flat as the restructuring of the economy has had a recessionary impact. Interest rates are stuck in the high teens, manufacturing industry is in sharp decline with very little capital investment showing up in productive industries, unemployment, although low by *most international standards, is* rising and living standards are falling.

There are still some daunting obstacles to overcome: *total* public debt has risen from NZ$6.3bn in 1977 to NZ$42.5bn now, interest payments alone gobbling up around a quarter of each year's total tax take. Total foreign debt is the equivalent of around 70 per cent of GDP.

Inflation which reached 18 per cent last year is now falling and may be under 10 per cent in the current financial year. But this will still leave New Zealand with the highest debt, interest rate and inflation figures of its major trading partners in the OECD area.

These albatrosses notwithstanding, the strategy has produced some remarkably speedy results.

The currency was devalued by 20 per cent when the Government took office in July 1984 and the following March, after an unnecessarily long interval, was allowed to float freely.

The float helped to stabilise the public debt by reducing overseas borrowing to sustain an overvalued currency. Public spending is being curtailed and there is little doubt that a major squeeze will occur on politically sensitive social programmes, particularly health and social welfare, once next *month's election is out of the* way, assuming the Government is re-elected.

The Government has also started to sell assets to pay off debt. Shares in New Zealand steel, the Development Finance Corporation, Petrocorp and Air Zealand are to be sold publicly. The Government's desire to sell off other nationalised industries has been thwarted for political and practical reasons so they are being moved to a half-way house through "corporatisation."

The most important sign that the economy is now under control and responding to policy comes with the effect of the taxation and public expenditure reforms.

For the first time for 35 years, a budget surplus is forecast for 1987-88. The NZ$379m surplus compared with NZ$2bn deficit in 1986-87 will be the combined result of a clamp on government spending and much higher revenues from the broader tax base.

And for the first time since the Korean war, the country will actually repay some of its huge foreign debt burden—NZ$600m in the current financial year.

A key part of the strategy has been to reduce the role of government wherever possible. So while nationalised industries have their subsidies withdrawn *and are put on to a commercial* footing, one of the world's most regulated and protected economies is being also thrown open to market forces.

Although many countries do their budget arithmetic in the way Mr Douglas made his calculations of a surplus, a more accurate picture is derived by examining the financial balance excluding net lending. This shows the financial deficit has been reduced to NZ$1.38bn or 2.2 per cent of GDP for 1987-88 compared with 3.7 per cent last year and 6.9 per cent in 1983-84.

It is this record which has impressed the financial community and resulted in fairly persistent upward pressure on the New Zealand dollar.

A key part of the strategy has been to reduce the role of government wherever possible. So while nationalised industries have their subsidies withdrawn and are put on to a commercial footing, one of the world's most regulated and protected economies is being also thrown open to market forces.

All exchange controls have been abolished, the banking and financial services sector have been fully deregulated, and subsidies and tariffs are being phased down.

One result of this has been a huge inflow of speculative capi*tal into New Zealand stocks* but virtually none into job-creating plant and machinery for productive industry. Equities soared until the overheating share market reached boiling point towards the end of last year, since when it has returned to more worldly temperatures with the loss of some huge capital gains on the way for slow or unlucky investors.

What is remarkable about the state of the New Zealand economy is the speed with which the liberalisation has been achieved. Parliamentary terms are so short at three years as to make the achievement of any medium term strategy impossible in one term.

If the Government is re-elected next month it will be because New Zealanders have accepted that, to get their country into competitive shape, more time and pain is needed—even if it means a further fall in living standards and more unemployment, which is guaranteed to rise sharply during 1987-88 on present policies.

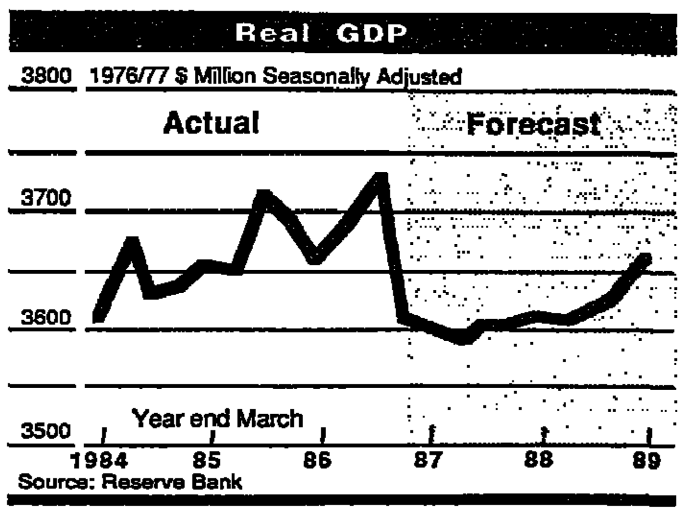
While some traditional Labour voters have willingly accepted the need for change, others feel the Government has betrayed its history of using egalitarian structures to protect the weak, whether they be individuals or industries.

Mr Douglas answers that only *industries which* can stand on their own feet can properly thrive and compete. Individuals in need can only be helped by the state if the economy is strong enough to ensure rising incomes and profitability to generate the necessary rising tax revenues to pay for the welfare state.

So the outlook is for very tight monetary conditions to press inflation out of the system, high interest rates declining very gradually, and a large number of official crossed fingers that investment will move out of speculative equities and into new technology and service industries.

Even if the Labour party were to lose the election, it is doubtful that an incoming National party would change direction significantly. "We have changed attitudes for all time in New Zealand. There can be no going back," says Mr Douglas.

Most commentators agree.



If the next Government pulls off the restructuring and recovery, it will have been the fastest and most radical liberalisation of any Western economy, leaving other notable examples such as Britain standing both in *terms* of speed, breadth and impact.

However, Mr Roger Kerr, one of the architects of the "New Zealand model," who has since moved, like many of his Treasury colleagues, to the liberated and lucrative private sector, sounds a note of caution: "It is going well, but it is important that the Government and country do not get too carried away. New Zealand still has the highest OECD tariff and 30 per cent of the financial sector is owned by the state. We have come a long way, but there is far, far to go."

And getting there involves clearing one hurdle, greater and trickier than inflation or debt, which all agree is critical and most fear may be too much for a Labour party—even one as reconstructed as the present one—to get past the public and the trade unions: the labour market.

New Zealand looks nervously at Australia. Ultimately, the labour market proved too difficult for Mr Bob Hawke's Labour party to reform and the economic restructuring suffered badly as a result. The New Zealand administration knows that if you fall at the main hurdle you lose. What it does not know yet is how to get over it.

Robin Pauley

Trade relations

Enthusiasm grows for Pacific ties

NEW ZEALAND, the principal victim in trade terms of Britain's entry into the European Common Market, is now the leading enthusiast for a regional common market in the Pacific area.

The closer economic relations (CER) treaty with Australia comes up for review in 1988 and one of the ideas for discussion is whether to widen the liberalisation of trade by cutting tariffs and quotas for some other countries.

"Canada is one country we have thought about. The US is another, and we are watching the US free trade agreement with Israel closely," said Mr David Caygill, Minister of Trade. "We have a trade agreement with the Pacific forum nations although that is more an agreement which allows the island products into Australia and New Zealand rather than giving our goods unfettered entry to their markets which would probably not benefit their fragile economies.

"Asean countries would be another possibility although they still have economic barriers against each other so it is unlikely for now that they would enter free trade agreements with us," he added.

The CER and the countries mentioned by Mr Caygill show how far New Zealand has been forced to turn away from Europe in the search for markets. The country was once effectively Britain's South Pacific farm: in 1940 Britain alone took nearly 80 per cent of New Zealand's farm exports. In 1960 nearly half of New Zealand's total exports of all goods went to Britain. Today the figure is about 15 per cent, similar to the proportions taken by Japan, Australia and the US.

The *CER* has proved a great success for New Zealand and has enabled New Zealand and Australia, both of which were stiff with tariffs and internal trade protection systems on non-agricultural products, to free trade between each other as a prelude to moving towards freer and more openly competitive trade on a wider front.

The agreement began in 1983 when goods subject to tariffs not exceeding 5 per cent became free and those with higher tariffs would have them phased out by January 1988, with a handful of exceptions like sugar and copper scrap. By 1995 all quantitative restrictions or tariff quotas will have been phased out.

Having dealt with goods, a key question next year will be whether to extend the CER to services such as air and sea transport, telecommunications, financial services, foreign investment, harmonisation of business law, standards, product labelling, and so on, towards full integration of the two countries' trading patterns.

Although Australia supports the agreement, it has less need to be as keen as New Zealand. Australia's most important trading partners are the US and Japan which take more than a third of Australia's exports and supply nearly half of imports. Although new Zealand remains Australia's most important market for manufactures, it is only the third most important overall export market and fifth most important export market.

The importance of the agreement to New Zealand is demonstrated by the fact that trade between the two countries in 1981 was 60-40 in Australia's favour. Now it is in balance, New Zealand's imports from Australia equalling exports.

However, CER is only one part, albeit an increasingly important part, of New Zealand's trade picture.

The foreign exchange crisis of July 1984 resulted in an immediate 20 per cent devaluation of the New Zealand dollar, followed by a free float of the currency in 1985. This helped to boost external trade volumes helping to improve the current account balance; although the appreciating exchange rate in the second half of 1985 and a reduction in meat exports caused a freezing works strike produced a current account deficit for 1985-86 equal to 7½ per cent of GDP, slightly up on the 7 per cent of the previous year.

Since then the balance has improved, mainly due to weakening import demand as the economy has entered recession. The improvement has been most dramatic over the last three months, with exports advancing sharply and imports declining.

Two leading New Zealand brokers, Fay Richwhite and Buttle Wilson, now expect the current account deficit for the current financial year to be around 3.5 per cent of GDP during the last six months. The balance of merchandise trade has increased by NZ$758 and during the past 12 months a NZ$391m deficit has turned into a surplus of NZ$1bn.

The fall in import volumes reflects the collapse of investment during the current recessionary phase and so is likely to be reversed again when the economy starts to improve.

A modest improvement in world farm commodity prices improved New Zealand's terms of trade by about 1 per cent and further improvements of just over 1 per cent in 1987-88 and just under 1 per cent in 1988-89 are *forecast* by *the* reserve bank.

New Zealand has made substantial if belated progress in *compensating for the loss of its* UK market and for the disadvantage which the European Economic Community's common agricultural policy imposes on agricultural exports. Australia, Japan and the US have all replaced Britain as New Zealand's principal export destinations, France has fallen out of the top five in the past 10 years and has been replaced by Iran which now takes 3 per cent of New Zealand exports.

But Mr Mike Moore, the Overseas Trade Minister, has warned that unless trade barriers around the world — not just for agriculture — are dismantled soon everybody will suffer, but particularly the developing world.

The key, he said, is the General Agreement on Tariffs and Trade (Gatt) round which needed to include and then solve the problem of agricultural subsidies.

"If we do not get progress we'll start looking at other ways to get what we need to survive. We'll come up with our own arrangements to free trade and, in pursuing our commercial interests, we'll be prepared to consider all-comers. Without a successful Gatt round we could be forced to look inwards and eastwards," said Mr Moore recently.

During this year, he said, it would become clear whether the latest Gatt round was going to succeed or not. Let's hope our generation doesn't need a world conflict or great depression to allow us to lift our vision beyond national and electoral boundaries," he said.

Robin Pauley

Taxation

Seeking broad-based and simplified system

NEW ZEALAND is reforming its taxation structures at a remarkable rate and would like nothing better than to become known as one of the world's lowest and simplest tax regimes.

Since coming to office in 1984, the Labour Government has widened the tax base by more extensive indirect taxation, cut income tax, simplified and extended company tax, clamped down on evasion and avoidance and abolished a range of personal and corporate tax concessions and exemptions.

If the Government is re-elected there is much more to come over the next three years, all in the pursuit of tax purity. A full imputation system will be introduced next April and legislation against tax avoidance through tax havens will be extended.

If Arevor de Cleene, the Government's outspoken architect of tax reform, has his way there will also be a capital gains tax, a single rate income tax perhaps incorporating a negative income tax system, and tax free threshold of earned income. But he concedes that he may be further ahead than his party and his bosses on such subjects.

"We are trying to make taxation fairer for everybody. We are not doing it piecemeal but in a radical and comprehensive way. Eventually, I would like New Zealand to have a single taxation rate for personal and corporate income. It would probably be around 30 per cent.

"This is not particularly dramatic as the average rate of personal income tax is already somewhere around that mark but getting people to understand average rather than marginal rates of income tax is about as difficult as anything you can imagine," he says.

The groundwork has been laid, however, by aligning the top rate of income tax, the company tax and the fringe benefits tax at the same rate of 48 per cent.

Mr Roger Douglas, the Finance Minister, started his tax reforms with his first Budget in 1984. Tax exemptions and rebates were abolished on life insurance premiums, local property taxes and, most controversially, the NZ$1,000 tax relief on mortgage interest for first time home buyers was abolished.

"That was the only mortgage concession we had. But it only gets capitalised and feeds straight through into house prices. We have knocked it out and we are not under any circumstances going to have it back," says de Cleene.

The Government opted to levy the 48 per cent tax on the value of fringe benefits on employers rather than employees to try to encourage them to pay cash wages rather than give cars and subsidised loans.

But the most radical reforms took place last October after two years of planning and preparation. The top rate of income tax was cut from 66 per cent to 48 per cent.

It starts to bite at NZ$30,000 compared with NZ$38,000 for the old top rate. The bottom rate of tax was cut from 20 per cent to 15 per cent. The three intermediate tax rates were abolished and replaced by a 30 per cent rate on all income between NZ$9,500 and NZ$30,000 a year. There is virtually no tax threshold and personal and family exemptions have been abolished to purify the system.

Mr Roger Douglas, Finance Minister, said recently that he hopes for further substantial cuts in income tax during the next three years.

The tax changes reduced the income tax burden by 20 per cent on average but the loss of exemptions and the introduction of new indirect taxes meant low income families fared worse than the well off. To protect the low income groups family benefits and minimum family income were raised by enough to compensate both for the changes and the fact that all benefits are taxable.

Without saying so, the Government has set off along the road towards full integration of taxation and benefits systems.

The Government used the higher benefits to deflect criticism that the other prong of its tax attack—the new Goods and Suvius Tax—was regressive in its impact. The flat rate 10 per cent indirect rate is one of the purest and broadest value added taxes of its kind in the world.

Traditional arguments for exemptions on items such as food, items of information and learning (books and newspaper), children's clothing were all resisted in a display of deft political footwork. In New Zealand, only residential rents, second hand goods including houses and cars, exports, financial services and charity sales plus some business input costs are exempt.

Last month's budget statement shows the results. In the first six months of operation the GST revenue was NZ$1.2bn and the estimate for the full 1987-88 financial year is NZ$4.1bn, while the previous sales tax levied at different rates on items covering about a quarter of household expenditure produced only NZ$1.5bn in 1985-86, the last full year of its existence.

Only by introducing such a sweeping indirect tax could the government make big cuts in direct tax and expand its revenue base. This is exactly what Mr Paul Keating, the Australian treasurer, wanted to do with his much vaunted consumption tax. But his plan had to be withdrawn in the face of widespread political, union and public objections, leaving the Australians unable to square the circle on tax cuts and revenue requirements.

Part of New Zealand's improved revenue base is due to the closing of the myriad tax loopholes. More is to come with a review later this year of the concessionary tax regimes applying to petroleum mining and, later, mineral mining.

"We are getting everybody into a fair tax system. The fact that revenues are proving higher than expected may indicate both that the loopholes are closing and that once the system is perceived as fair rather than penal people and business behave honestly and pay up their dues," said Mr de Cleene.

There is an argument often propounded by enthusiasts for the sort of economic approach favoured by the present government that business should not pay any taxes.

Mr de Cleene rejects the argument, particularly as personal income tax anyway shoulders such a high proportion of the taxation burden—90 per cent of direct taxation in 1984 and still about 80 per cent by next year.

"I know the argument but I think it is wrong. Business should pay tax and in fact I think they should also pay capital gains tax. But business tax must above all be rational," Mr de Cleene adds. For that reason, double taxation of company income will end when a full imputation system is introduced next year.

Currently companies pay 48 per cent tax on their profits and then shareholders are taxed on their dividends at their personal tax rates which can also be as high as 48 per cent. Apart from the implied high level of taxation on profitability, the system acts as an incentive for people to invest in home mortgages or bank deposits, where tax is paid only once and tax free capital gains are possible.

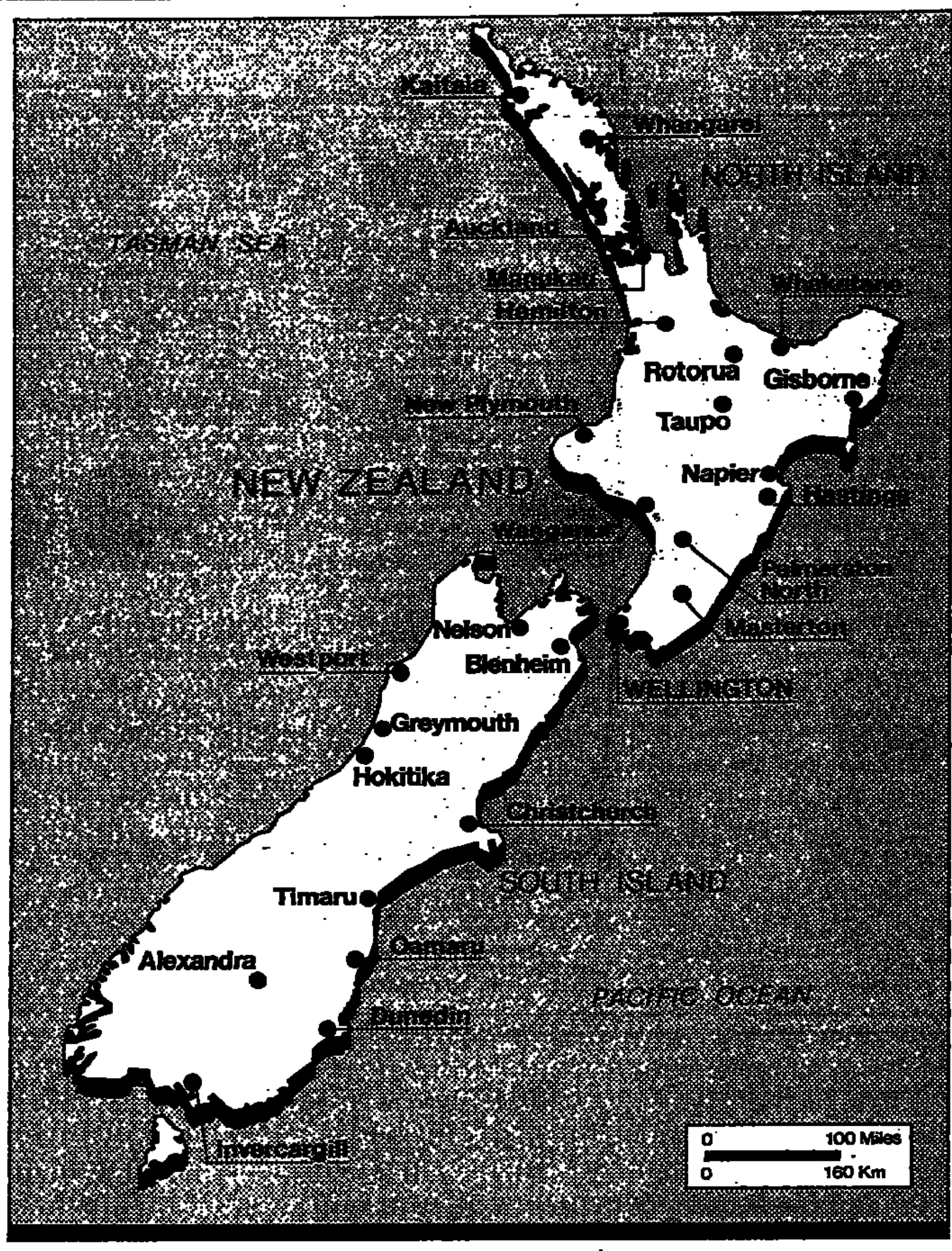
From next April, the full imputation system will make shareholders profits in companies taxable only once.

The tax measures taken by the Government and those still to come are governed by a need to broaden the tax base and ensure minimum revenue leakage together with a belief in supply-side regeneration of the economy.

Mr De Cleene defends his approach rigorously: "This might look odd coming from a Labour government but it just shows the middle classes have arrived in this party and popular capitalism has finally reached New Zealand. There are 50 per cent more shareholders than when we came to government and at least a quarter of the population now has shares. We must ensure there are equal opportunities and incentives for everyone to become well off.

"I am the only member of this government who went bare-foot as a child and I don't intend to do it again. I am a tax barrister and when we've got this tax system all sorted out I may go off back to the bar to earn some real money—which I'll be able to keep," Mr de Cleene adds.

Robin Pauley



Labour relations

A difficult time for the unions

HOW DOES a self-confessed Communist leader of a country's trades union movement come to be acquiescing to one of the world's most radical experiments in free market economics?

"We are not at the table dealing the cards. We get invited in now and again to pick up a hand. But all we get are the cards that are put before us," says Mr Ken Douglas, general secretary of the New Zealand Federation of Labour—with more than a hint that he believes he will eventually not only be dealing the cards but also marking them.

Meanwhile the unions are concentrating on a strategy for survival, he says. The problem for the unions is that the introduction of free markets, the dismantling of labour and industry protection and the assault on collectivism is coming from a Labour Government which has its roots in the labour movement and not from the conservative National party which in its last period of power was one of the most interventionist and regulatory in the country's history.

Mr Douglas even has a word of praise for his namesake, Roger Douglas, the Finance Minister, who has masterminded the change." He has been a breath of fresh air and has been able to capitalise on the awarenes of the need for change in the country. But there isn't anything in it for us."

However, unions are not the only group dissatisfied with the Government's strategy on pay fixing and labour relations. Business organisations argue strongly that the Government has made too half-hearted an attempt to create a free and flexible market for labour. The results, they prophesy, will be at best inadequate and at worst a threat to the success of the entire economic strategy.

"Our outdated system which is incompatible with the new competitive environment is not remedied in any significant way in the current legislation. It is a substantial drag on improved efficiency and productivity, income growth and job creation. As such it presents a real threat to the political sustainability of a programme of economic improvement," says Business Roundtable, an orgnisation of chief executives of leading New Zealand companies.

These complaints are about the Labour Relations Act 1987. They focus principally on the Government's decision not to withdraw official intervention totally from the labour market but to modify it.

Business Roundtable summed up its objections to the Act thus: "It retains all the central features that are alien to most contemporary regimes (other than Australia): compulsory union membership; highly restrictive mechanisms for modifying craft-based union structures; imposed conciliation; predominantly award bargaining; and a major role for arbitration tribunals."

Critics of the act from the other side, however, argue that many of Labour's traditional rights have been cut away. The new rule that every worker should be covered by only one award or agreement is a major change, eliminating leap-frogging between national, sector and individual company pay awards.

The Government hopes that most workers will now settle with their own employers, making pay more responsive to company conditions and national awards relevant to an increasingly small and so less powerful segment of the working population.

Employers argue that continuing national awards and centralised arbitration and conciliation, together with the inability of workers to opt not to join a union, leaves the market as rigid and inflexible as ever.

Union leaders counter that the new single-award rule will leave weak and poorly paid rural workers in an even worse position, with little hope of strike support from stronger groups which will have settled outside a national award in which they will no longer have any interest.

The new law also requires every union to have at least 1,000 members. This is an attempt to reduce the multitude of small craft unions and their scope for industrial action in

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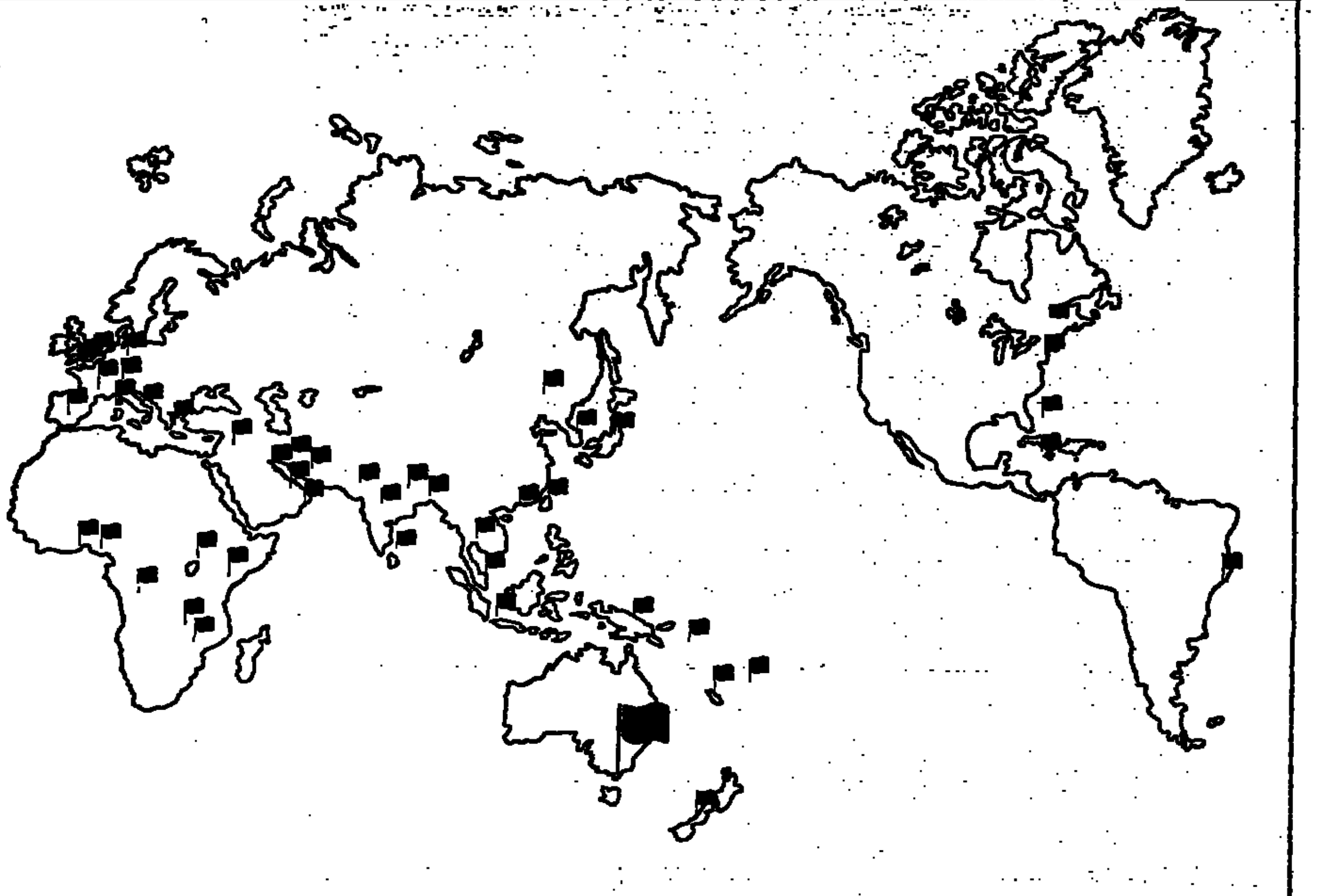

Restructuring industry

Rolling back the frontiers of the state

A PRINCIPLE objective of the Labour Government's economic reforms has been to roll back the frontiers of state involvement in industry and commerce.

Deregulation of financial services and the removal of trade barriers, which had impeded private sector development and acted like a dead hand on private enterprise and efficiency, has been matched by a similar assault on the public sector.

For political and commercial reasons the government has decided not to float state enterprises on the stock market, as has been done in Britain.

To have done so would have created further strains with trade union leaders and traditional Labour supporters who have been rocked at the speed at which their party has moved to commercialise the management of state-owned industries.

Many of these industries, plagued by years of overmanning, inefficiency, waste and heavy accumulated losses, were in no shape to be sold to private investors, although many observers believe this will be the next step.

So far, the government has restricted its endeavours to three main areas.

- Converting the trading arms of government departments into nine new state-owned corporations which will be run on strict business lines and will be expected to make a profit.
- A "user pays" policy has been introduced under which government departments and the public will be expected to pay for services which have traditionally been provided free of charge—such as farm inspections.
- Existing state-owned corporations have been allowed to raise private capital by selling shares to private investors. The state-owned Bank of New Zealand recently raised around NZ$175m through the sale of a 12.9 per cent stake to private investors. The pace of change has caused serious teething problems among some of the new commercially oriented state-owned enterprises.

Management structures and information systems and profit centres, non-existent under former state controls, have had to be rapidly introduced. Job-shedding has been carried out at a furious pace in areas like forestry and coal mining.

Crucially the valuations, financing structures, and liabilities which will be imposed on the balance sheets of the new corporations had still to be agreed, in most cases, at end of June.

Negotiations with trade unions over union recognition and pay structures have also still to be resolved in some areas.

The nine new state-owned enterprises, or SOEs, were officially established on April 1, less than a year after Mr Roger Douglas, Finance Minister, announced the details of the biggest shake-up in the history of New Zealand's public services. The nine are:

- Airways Corporation: operating the national air traffic control centres and rescue and fire services at major airports.
- Coal Corporation: produces around 70 per cent of the country's coal from more than a dozen mines. As a result of commercialisation the corporation's overmanning has been attacked and the workforce halved from around 1,600 to around 800.
- Foresty Corporation: this controls more than half a million hectares of forest. In the past tree planting has often been uneconomic and determined by political and social objectives to maintain local employment. The corporation's labour force has been cut by two-thirds as a result of voluntary redundancy and transfers to other areas.
- Government Property Services: this organisation will manage state office buildings and will be free to sell or rent to the private sector as well as government departments.
- Electricity Corporation: generates and sells electricity to the supply authorities from a combination of hydro-electric, geo-thermal and coal and natural gas power stations. It is also expected to significantly cut its workforce. It also expects to have to compete with private sector electricity suppliers as government deregulates the electricity industry.
- Landcorp: manages crown pastoral leases on behalf of the Land Department.
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- New Zealand Post: one of three arms of the former Post Office which have been turned into SOEs. It already faces stiff competition in areas like courier services, parcel post and unaddressed mail. Its labour force has been reduced by 800 from around 12,000 by a programme of non-replacement. A further 1,200 jobs are expected to go by April next year.
- Post Office Bank: the banking arm of the former Post Office. The government had to put in NZ$175m to top up the bank's assets which before it was "corporatised" were less than its liabilities.
- Telecom Corporation: For many years profits from telecom have been subsidising the postal services. Local calls have also been free. It will now be expected to develop a more realistic pricing structure reflecting the true cost of services.

The SOEs, will for the time being, remain under government control but will be expected to be run as businesses paying a dividend to shareholders.

- Left: Mr Stan Roger, Labour Minister. The Government regards a shake-out of labour as inevitable if the economy is to be restructured.
- Right: Auckland Harbour and container terminal.

Following last month's budget they will be allowed to raise private capital by issuing up to 25 per cent of their equity in non-voting shares to private sector investors.

If government as the sole shareholder with voting rights wishes to impose political or social objectives on the new commercially run corporations it will have to pay for the services.

In the case of New Zealand Post government has agreed to pay a subsidy this year of between NZ$30m and NZ$40m to manager 600 rural and suburban post office branches which the corporation had wished to close or reduce to agency status.

The benefits of "corporatisation" are already beginning to show through, according to government.

Mr Rogger Douglas in last month's budget announced that the Property Services Corporation had reduced its overheads by NZ$1.3m in just the first few months of operation. It had also identified four prime central city sites with a market value of around NZ$50m which were providing no return at all.

The Forestry Corporation which had inherited an annual defcit of around NZ$70m expects to run a surplus of NZ$30m this year, said Mr Douglas.

A clue to the government's possible future intentions came in the budget when Mr Douglas unveiled plans to sell some of the government's voting shares in previously established state enterprises such as the Development Finance Corporation, Air New Zealand and Petrocorp, the oil and gas corporation.

Mr Douglas said these corporations either face ample private sector competition or operate in high risk areas.

"These are now commercially viable businesses for which government ownership serves no special purpose," he said.

The government's stake in Petrocorp has already been reduced with the placement recently of 100m shares, or 15 per cent of the equity, with Brierly Investment.

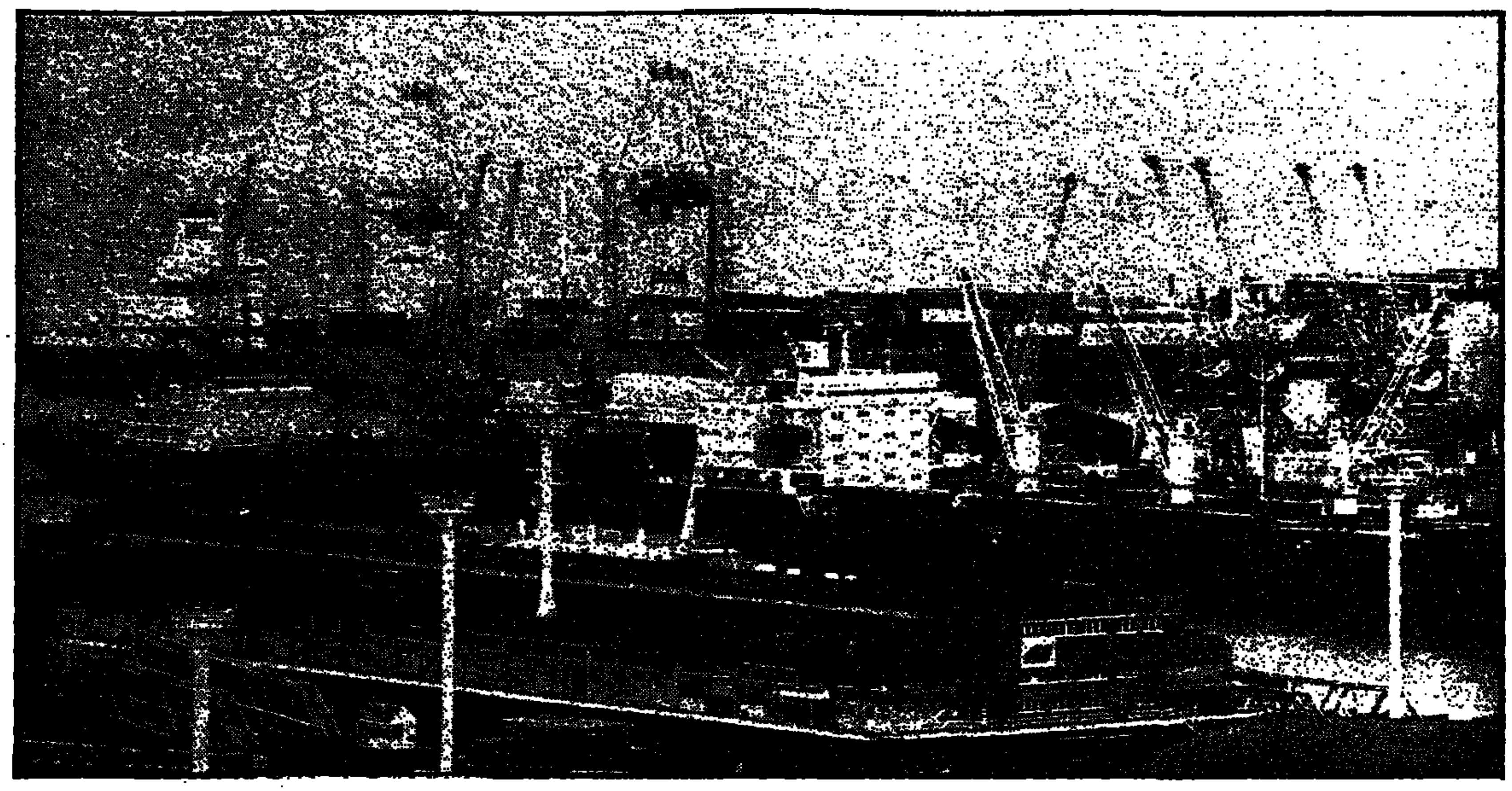
A further 15 per cent of the shares are to be offered to the public very shortly.

The plan now is to sell a further 180m shares next year which will reduce the government's stake in Petrocorp to around 40 per cent.

In the case of Air New Zealand, around 25 per cent of the shares are expected to be sold. At least 20 per cent of the Development Finance Corporation are likely to be sold.

Trade union leaders believe these share sales will be a prelude to government relinquishing its ownership of a host of other state-owned enterprises including some of the recently established SOEs.

Andrew Taylor



Row over labour issues

Continued from page 4

demarcation disputes out of proportion to their size. Union leaders say this is an oppression of union rights.

Mr Stan Roger, Labour Minister, agrees with the OECD assessment of the changes as "an inevitable compromise between conflicting interests, which will not fully satisfy either of the parties directly concerned."

The Government's aim is that labour relations should become more permissive and less prescriptive, with legislation playing a diminished role. It also wants to change attitudes so that both pay and worker behaviour reflect economic realities. In 1970, New Zealand had the least strike prone workforce in the OECD area. In 1985, it was one of the three worst.

The Government also wants a more decentralised and flexible pay fixing system for the state sector. Annual general pay agreements and automatic annual increments will be abolished, performance related incentives introduced, and market salaries offered where necessary to attract high quality employees to state sectors short of expertise.

Both unions and employers do agree that the restructuring of the economy will lead to higher unemployment, at least in the short term, and the Government admits that a freer labour market and real wage reductions would take time to bring the jobless level back down again.

Last month's budget figures contain an implied rise of 37 per cent in the cost of unemployment benefits during the 1987-88 financial year. This translates into a 23 per cent rise in the number of jobless which will take the number of registered unemployed soaring past the politically sensitive 100,000 mark.

This would give an unemployment rate of over 8 per cent, low by some international comparisons but unprecedented for New Zealand and nearly double the rate when Labour took office in a country which traditionally has expected and achieved full employment.

Within these figures are very high jobless rates in the rural sectors, among youth and, particularly, among the Maori population.

The Government regards such a severe shake out of labour as essential if the economy is to be restructured. To encourage retraining for new industries and new skills, a range of job training and skill "access" programmes have been set up and to encourage labour mobility. The Government will pay NZ$1,000 to someone who wants to look in another region for work and NZ$2,000 towards the cost of moving there if a job is found.

To Ken Douglas and the Federation of Labour "this is all Alice in Wonderland stuff." He argues that New Zealand workers have always been highly mobile and that in some senses the mobility needs to be stopped. People continue to move from the rural areas and particularly from the sparsely-populated South Island to the North Island, especially Auckland where unemployment is low, living standards high and the weather warm.

"The South Island has always had low wage rates. That hasn't kept industry there and it doesn't attract industry because other factors are more important—availability of commodities, transport costs. The Government is killing the South Island through its free market approach by not providing incentives and subsidies," says Mr Douglas.

Nevertheless the Federation of Labour is not mounting a campaign of disruption against the Government, particularly not shortly before an election. "We will go with it, partly we have no choice at the moment. But there is a limit. We shall part company with them if they fail to carry through their promises on social policy—to contain and reduce unemployment and improve conditions for the old, poor and sick."

Mr Douglas does not believe the Government can stick to its free market and labour policies, avoid social division and tension, and deliver its social commitments to its traditional supporters. Many business leaders doubt whether the country's economy can be restored to health unless a much more rigorous approach to freeing up the labour market is adopted, even if the pain and unemployment levels have to become much worse.

Both sides coincidentally repeatedly use the same phrase, each meaning something entirely opposite: "The labour market is the Government's Achilles' heel." It will be a while before either side will be *able to claim that the strategy is* hobbling with a permanent and disabling limp to the left or to the right.

Robin Pauley

Banking

Services expand in freewheeling new climate

THE PLUSH offices, the rows of expensive terminals, the poaching by financial institutions of experienced staff and the inflated salaries, say it all. New Zealand has joined the international banking community.

In just three years the New Zealand banking sector has undergone a dramatic transformation.

It has changed from having one of the most regulated financial sectors outside communist countries, into a free-wheeling internationally orientated business centre.

Virtually all direct controls over the operations of financial institutions have been removed as the Lange government has introduced sweeping economic reforms.

As a result New Zealand has one of the least regulated financial service sectors of any western nation.

The number of New Zealand and foreign-owner financial institutions, and the range of services they provide, has grown dramatically as existing houses and new players, have sought to take advantage of the new freedoms.

Nine financial institutions — including Banque Indosuez, Barclays, Wardley, which is owned by Hong Kong and Shanghai Bank, National Australia, Canadian Imperial Bank of Commerce and Citicorp — have applied to the New Zealand Reserve Bank to become authorised trading banks.

Previously the four trading banks were restricted to the state owned Bank of New Zealand and ANZ Banking Group, 75 per cent owned by Australia and New Zealand Banking Group and National Bank of New Zealand, a wholly-owned subsidiary of Lloyds Bank and Westpac which operates as a branch of the Australian Bank.

Many financial institutions are casting a wary glance across the Tasman Sea to Australia where deregulation of financial markets has led to a serious over supply of banking services and badly hit margins and profitability of banking institutions.

New Zealanders, while expecting margins to tighten further over the next 18 months, do not expect problems to be as serious here, as in Australia.

This partly because of the way in which the New Zealand government has opened up the market to foreign competition and partly to the natural caution of banks expanding in a small country with a limited number of corporations and a population of only 3m.

New Zealand, unlike Australia, has placed no time limit and no restrictions on the number of financial institutions which can apply for trading bank status.

Many banks believe that that time limit and restrictions on numbers imposed by the Australian authorities forced banks to offer a greater range of services and apply for trading bank licences before they had fully studied the scope of market.

By comparison only two institutions of these currently applying to become trading banks in New Zealand have said they intend to go into retail banking. Most like Indosuez, which has grown rapidly since it establishd here in 1981, expect to continue to operate in the corporate banking market and will not be rushing to change the scope and style of their operation.

The pace of change brought about by deregulation has been breathtaking by any standards.

Since July 1984 almost 50 years of interest rate and credits controls have been removed, exchange rate controls abolished and the New Zealand dollar floated.

Reserve asset ratios which required financial institutions to invest a certain proportion of their funds in government stocks have been abolished.

In place of this regulatory framework the Reserve Bank has introduced a policy of prudential supervision with a minimum of formal controls.

Companies which previously had been restricted to raising finance from term loans, overdraft and a limited domestic commercial bills market have rushed to take advantage of the new freedoms.

The biggest impact has been felt in foreign exchange markets where the scrapping of government controls and the floating of the Kiwi dollar has opened the door to a whole range of sophisticated international financing devices commonplace in other countries.

Fay Richwhite a privately-owned New Zealand merchant bank, was involved some of the first international securities issues to be made by New Zealand corporations on the Eurobond market.

These have included an NZ$40m issue for Brierley Investments, a NZ$40m issue for the Rural Banking and Finance Corporation of New Zealand and two separate issues for New Zealand Forest Products for NZ$30m and NZ$27.5m.

More recently, says Fay Richwhite, international corporations like Prudential of the US, Bank of Nova Scotia, Olivetti and Fiat have been issuing Kiwi dollar denominated securities—using the leverage of high New Zealand interest rates to take advantage of the bond swap market and negotiate cheaper financing.

Opportunities for currency and interest rate swaps and currency hedging have been taken up by New Zealand companies as financial institutions have become more sophisticated and innovative in the products they offer.

Mr Roger Douglas, the New Zealand Finance Minister: the budget surplus has impressed the financial community

A foreign exchange dealer, three years ago, would typically have been employed by a trading bank, would probably have been a junior officer around 25 years old and earning around NZ$20,000 a year.

Today an experienced forex dealer with a top merchant bank, some of whom have been recruited from the more established forex markets overseas, can now command up to NZ$200,000 a year in salary and fringe benefits.

The removal of interest rate and other credit restrictions, similarly, has allowed short term money markets to develop as controls, such as the 30 day rule—which prevented banks from paying interest on trading deposits held for less than 30 days—have been swept away.

"It is rather as though the door of the sweetie shop had suddenly been flung open," says Bill Birnie, an executive director of Fay Richwhite.

"Corporations which had been unable to earn interest on short term deposits suddenly have had to develop treasury operations and become more sophisticated in their financial management."

A recent survey of New Zealand banking results during 1986, carried out by accountants Peat Marwick Mitchell, showed that merchant banks, which have been at the forefront of the development of capital markets, increased net profits on average by 93 per cent over the previous year. Total assets on average increased by 82.8 per cent.

By comparison operating profits, after tax, of retail banking activities rose on average by 12.4 per cent.

The rapid growth in banking services has produced strains. The newness of the market has meant that experienced staff are in short supply. Poaching of staff is common-place among institutions.

Competition between banks has increased as operations have expanded and new players have come into the market.

Mr Graeme Pentecost, a senior chief manager of Bank of New Zealand, the country's biggest trading bank, says he would expect margins in New Zealand to tighten further as competition increases and the rapid growth in domestic demand for corporate banking services slows to a more realistic level, as the market develops.

He also believes there may be mergers and takeovers as weaker financial institutions struggle to make their mark in the more competitive climate.

Sir Frank Holmes chairman of South Pacific Merchant Finance, the 70 per cent owned merchant banking subsidiary of National Bank of New Zealand, also warned recently that trading conditions will become increasingly difficult for all financial institutions this year.

"Opportunities that were available in 1986 will become less frequent as the local markets absorbs new international participants. Returns on average in the more competitive New Zealand financial markets are likely to be more in tune with the experience of international counterparts," says Sir Frank.

Andrew Taylor

Deregulation

Self-discipline the watchword

NEW ZEALAND has moved further, and faster, than most countries to remove formal controls over the activities of its financial institutions.

It has stripped away a host of regulations, commonly used by government to control the risk exposure and capital market activities of banks and financial institutions.

The New Zealand Reserve Bank, for example, no longer has the power to insist that institutions satisfy a range of arbitrarily imposed financial ratios.

The abolition of reserve asset ratios is perhaps the most revolutionary change to be introduced by the Labour Government. In their place the reserve bank has introduced a new policy of "prudential supervision," which will allow it to examine the structure and performance of each institution individually, before setting appropriate standards.

The aim, it says, is to move away from a rigid system of formal controls to a more flexible, and less clumsy, procedure by which operations and risk exposure can be assessed separately. The bank will expect its advice to be heeded but will intervene only as a last resort, if it considers an institution to be at serious risk.

Details of how the new system will operate were set out in a consultative paper published by the reserve bank last September. It stated: "the bank does not intend to apply statutory ratios or limits for the various prudential dimensions such as capital adequacy, liquidity or asset quality. Such an approach is seen as having too great a potential cost, it is of uncertain benefit and is inconsistent with the Government's broad policy approach which emphasises that prudent management is the responsibility of each institution." "The bank recognises that every institution is different and will wish to hear the views of each on appropriate standards and exposure limits for its own operations," it added.

The supervisory role of the reserve bank, has similarly changed from one of depositor protection to one of safeguarding the interests and reputation of the financial community as a whole. "We are here to protect the financial system, not to use taxpayers money to provide individual depositor protection insurance," says Mr Kerry Morrell, chief manager of the bank's financial institution's department.

The bank believes the change in emphasis away from depositor protection will impose new investor-led disciplines on financial institutions, as the influence of financial advisors and credit rating agencies assume greater importance in the deregulated market.

Under prudential supervision, authorised banks and financial institutions will be expected to provide a regular flow of detailed statistical information to the bank.

Separate monthly, quarterly and half yearly returns will have to be made, providing varying degrees of financial information including details of profit and loss risk exposure to individual countries and large corporate borrowers.

"The bank will then form views on the various prudential dimensions for each institution, having regard for the nature and extent of risks faced by the institution and the inter-relationships between the various facets of financial condition and risk," says the consultative paper.

The bank will pay particular regard to capital adequacy assessing individually, the nature and quality of assets, off-balance sheet risks, the amount and quality of profit, operating costs, liquidity and funding risks as well the nature and adequacy of provision for losses.

"We will be interested in the ability of each institution to withstand a large shock or loss of confidence as well as apparent ability to manage and control any mismatch of maturities in the ordinary course of business. Considerable use will be made of the new standard monthly statistical return for this purpose."

A new quarterly return will be introduced for monitoring of credit risks associated with off-balance sheet activity. Bank auditors will also be expected to play an important role in reporting risk exposure to the reserve bank.

A tentative proposal has been adopted for discussions with institutions for an extended audit report which would be supplied to the bank with annual accounts.

This would contain "a statement of the effectiveness of and compliance with operational control systems and on the reliability of statistical returns made to the reserve bank during the year." The bank is also giving consideration to requiring an audit of six monthly as well as annual accounts.

Andrew Taylor

Calendar of deregulation

July 18, 1984
* New Zealand dollar devalued by 20 per cent.
* Removal of controls on lending and deposit interest rate controls introduced by the previous National government, in 1981 and 1982 as part of a package of price stabilisation measures.
* Public securities ratio applied to finance companies removed.

July 24 1984
* Reserve Bank discount margins doubled across all maturities.

August 15, 1984
* Access to Reserve Bank discount window and to Bank's portfolio of short dated securities opened to all persons.

August 30, 1984
* Removal of 30 day rule preventing payment of interest on trading bank deposits of less than 30 days.
* Ending of restrictions limiting interest on ordinary savings accounts to a maximum of 3 per cent.

December 21, 1984
* Establishment of reserve Bank discount window for stock of more than six months to maturity.
* Exchange controls relaxed.

January 29, 1985
* Weekly Treasury Bills tendering commenced.

February 7, 1985
* Compulsory ratios on financial institutions abolished.

March 4, 1985
* Exchange rate floated.

The Stock Market

Slithering index rejoins the pack

IF IT took popular will to keep a stock market up, New Zealand's would still be sky high. As it is, the market has fallen back to cloud level. There is plenty of unhappiness at the reversal, but considerable relief at the absence of a crash.

The widely-watched Barclays share index, covering 40 leading stocks, reached its all-time high on November 10 last year of 3,912.63, more than double the 1986 low point of 1,873.56. Though it then came off the top, the index by the Christmas break was still 99 per cent above the level of 12 months earlier.

The story this year has been rather different. Having outperformed the world's major sharemarkets in 1986, the New Zealand market has moved out of step with them—or, more accurately, rejoined the pack.

The index slithered sharply in the second half of January and continued to fall in February to the 3,050 level. After tracking sideways in March and April, the market once more gave way to weakness. The 3,000 barrier was breached, and on May 18 the index again plunged, to 2,813.68—by last month, still the year's low point.

Even the barest market statistics convey an idea of the frenetic pace at which these events have unfolded. Market capitalisation of listed companies at the end of December 1986 was NZ$42.4bn, compared with NZ$17.6bn at the end of 1985.

In the year to March, new issues of equities listed on the exchange amounted to NZ$2.4bn, compared with NZ$792m in the previous year. Fifty companies listed their ordinary shares for the first time, bringing the total to 273.

By the end of 1986, few people doubted that a reverse was overdue. New Zealand's inflationary environment and lack of capital gains tax had encouraged widespread speculation. By any measure the market had become overpriced, while large amounts of crash were being demanded through new floats and other calls.

It was therefore highly vulnerable to a fall, if not a crash. Not only were price-earnings ratios high by New Zealand (if not world) standards. The earnings reported by "entrpreneurical" investment the property companies, which dominate the market, were also clearly being boosted by favourable accounting techniques.

More controversially, the absence of a law making insider trading a criminal offence was felt to have reinforced the trend. The stock exchange and local brokers do not believe this to be a serious problem, but action on this and on the wider questions of creative accounting and takeover law is now being considered by the Securities Commission.

With the market's decline, many of the "entrepreneurial" companies have taken a pounding. So have most of the smaller speculative players in the market who were forced by margin calls from their bankers to unwind their over-geared positions, a process which fuelled the fall.

On a longer-term perspective, the fall still looks like a minor correction. New Zealand's spectacular bull market dates back to 1978, with the most significant pause in the steep uptrend occurring in 1982, when the market lost about 20 per cent.

But analysis of the 1987 reversal has become confusing. When the daily index recently slipped below both the 50-day and 200-day moving averages, chartists began talking about new support points of 2,740 or even 2,400 on the Barclays index. The question inevitably arose whether the market was experiencing a major correction or the onset of a genuine bear market.

The optimists pointed to the fundamentals, saying that while the outlook for economic growth was not good, for corporate earnings it was more positive. In particular, they said prospective price-earnings ratios had fallen to a seductive level of 7-8 for major industrial companies and 8-9 for established entrepreneurial companies like Brierley Investment or Chase Corporation.

Over a period of some three weeks before and after last month's budget, the share market staged a minor rally, suggesting some sympathy for this viewpoint. Brokers explained that local investors seemed to have been over-bearish (as they had earlier been over-bullish) while offshore investors had found some bargains in selected, internationally-oriented New Zealand stocks.

With attention by this time focusing on the looming general election, due before September and likely to be held in August, a crash before the polls was beginning to look increasingly less likely. And a return to power for Labour was, if anything, expected to encourage the market.

The rise and fall of the past 12 months has nevertheless exposed some serious flaws in the operations of New Zealand's share market.

One of the most important is a scrip delivery problem, the result of exceptionally high trading volumes and shortages of experienced staff and adequate space both in brokers' offices and share registries.

At one point it was taking months for share transactions to be settled and registered, and for individual purchasers to take possession of their scrip. The delays made an overheated market hopelessly inefficient.

When the Stock Exchange finally stepped in—most feel it should have done so far sooner—it simply enforced rules already in existence. As from April 1, it required share certificates to be delivered to the broker within ten days of a sale, with new penalties invoked after 30 days.

These meant that if a client failed to deliver promptly and the broker could not complete the transaction, the selling client was liable to be "bought in" at the client's own cost.

Under the rules, the broker would have to acquire the necessary scrip on-market, at a premium of 20 per cent on current market price on the first day rising to 50 per cent on the fourth day. The new rules have helped. But trading volumes are also lower now than they were last year, and this too has improved matters.

A second problem to emerge is related to this—the overdrafts being run by New Zealand brokers. Only one broker, a small firm in Dunedin, has actually run into trouble. The Stock Exchange was able to stand behind it, and its creditor bank put in an accounting firm to manage the business.

The Exchange has increased its fidelity fund and said it will encourage and enforce better financial ratios through its own inspection system. But there is still some doubt about under-capitalised broking firms which are earning less in fees and commissions this year.

The Exchange's new Kismet computerised trading system is meanwhile designed to automate the work involved in buying and selling securities. It is not fully operational yet, but when it is it will allow screen-assisted and screen-based trading, and could ultimately support full scripless trading.

Chris Sherwell

The rise of the entrepreneur

Strong individuals make a mark

A GLANCE at the ranking of New Zealand's top thirty companies by market capitalisation over the past few years highlights a trend which has captivated local investors' imagination—the emergence of the "entrepreneurial" company.

Typically, these companies are active in finance, investment and property. Invariably they are associated with one or perhaps two men. Most are a product of the deregulation of New Zealand's financial sector in a bull market. All have grown through acquisition and takeover.

The pioneer, and by far the greatest success, is Brierley Investments, the flagship of Mr Ron Brierley. He started back in the early 1960s and set the trend *now being avidly followed by* others.

The group listed in 1968 and reached number 15 on the list by 1980. But its most rapid progress has come in the 1980s. It reached the top four in 1982, and number one in 1985 and 1986.

Currently it is number two behind the more conventional conglomerate Fletcher Challenge, which has enjoyed a re-rating by investors at a time when the share market as a whole has fallen from its November 1986 peak.

Indeed, some of the entrepreneurial companies are now hurting because of this fall. Although new ones continue to emerge, there are also signs of change in the overall pattern.

One recent example of this involved Rainbow Corporation, headed by Mr Craig Heatley and first-listed in May 1984. At one point in 1986 its shares were on a price-earnings ration of 110+1. It had also spread its wings abroad with a small stake in Ultramar, the UK oil concern.

An attempted merger with the successful local retailer Progressive Enterprises proved to be one *step too* far. Mr Brierley stepped in to stymie the move and Rainbow became part of the Brierley firmament. In the process Mr Brierley controversially doubled his interest in Woolworths of Australia.

Rainbow was a member of the second generation of entrepreneurial companies. The best-known of these are Chase Corporation, headed by Mr Colin Reynolds, Equiticorp Holdings, led by Mr Allan Hawkins, and Judge Corporation, headed by Mr Bruce Judge.

Like Brierley Investments, all three have expanded their interests offshore, to Australia, South East Asia, Europe (typically, Britain) and the US. In none of these markets have their activities gone unnoticed.

Mr Brierley's interests in Australia are held through Industrial Equity, in South East Asia and the US through Industrial Equity Pacific and in the UK through Tozer Kemsley and Millbourn. Scarcely a day now passes without one or more of these companies being involved in a significant acquisition or takeover play.

In the case of Chase Corporation, best-known for its activities in property development, Mr Reynolds actually moved to Australia in order to carry the group's expansion abroad.

Listed in January 1983, it is now the highest ranking entrepreneurial company in New Zealand after Brierley Investments, although the recent fall in the market caused it to slip from third to ninth in the rankings by market capitalisation.

Brokers are unhappy at the proportion of profit usually taken by unrealised development margins, but this is expected to diminish. More than *half of Chase's profits currently* come from New Zealand, but this is likely to change with the investment in the merged Wingate/PHIT group in Britain.

Like Chase, Mr Hawkins' Equiticorp has also slipped in the rankings. Involved in both financial services and industry, the group has most recently attracted attention abroad for its stake in Guinness Peat, the UK merchant bank, and its counter-bid against CSR for Monier, the Australian building products group.

Equiticorp has previously sought to expand its industrial base in Australia through a bid for ACI and its involvement in the fight for control of BHP, the country's largest company. In both cases it withdrew. In New Zealand it has a 47 per cent stake in the industrial group Feltex.

To speak to New Zealand brokers, the most difficult transactions to *follow* are those of Mr Bruce Judge. Over the past few months these have involved his own Judge Corporation in New Zealand, another three quoted New Zealand groups—Kupe, Renouf and Euronational—Ariadne, which is his Australian arm, and Impala Pacific, based in Hong Kong.

Other names also pop up constantly in conversations on business deals involving New Zealanders—Mr Bob Jones of property group Robert Jones Investments, Mr Russell Goward of Westmex, Mr Rod Petricevic of Euronational, and Mr Michael Fay and Mr David Richwhite of bankers Fay, Richwhite.

As for a new generation of entrepreneurs, this is now making itself felt. Among the companies being mentioned are New Zealand Equities, headed by Mr Peter Francis and Mr Avon Carpenter, Wellesley Resources, headed by Mr Graeme Bringans, Corporate Investments, headed by Mr Peter Masfen, Unity Group and Pacer Pacific Corporation.

If there is anything that is worrying about this rapid emergence of wheeling and dealing businessmen, it is that investors and the authorities cannot keep up with their activities. Not for nothing is the Securities Commission now looking into takeover law, insider trading and standards of company reporting.

Likewise it is concerned by the scale and complexity of interlocking directorates and shareholdings in New Zealand's largest corporations, in which most public companies have another public company as a major shareholder. The instances of apparent conflicts of interest are multiplying.

But New Zealand's business sector is not populated solely by "entrepreneurs." Among the country's top companies are such well-established conventional corporations as Fletcher Challenge, Goodman Fielder, New Zealand Forest Products, NZI Corporation and Carter Holt Harvey.

The entrepreneurs are mostly young, ambitious and self-assured. They know how to borrow on the debt and equity markets and how to handle equity risk.

But most are also products of a long bull market and quick deregulation. They may lack the substance, originality and experience to survive a real shake-out in the New Zealand market. As recent months have indicated, that would be a real test.

Chris Sherwell

Pace-setter: Mr Ron Brierley, who started his entrepreneurial work in the early 1960s and set *the trend now being avidly* followed by others. His flagship, Brierley Investments, is number two behind the conventional conglomerate, Fletcher Challenge, which has enjoyed a re-rating by investors

Futures

Eager investors drive market on

OF ALL the optimistic noises to be heard regarding prospects for New Zealand's deregulated financial services sector, perhaps the most bullish are to be heard from the futures exchange in Auckland, now two-and-half years old.

Each month that passes seems to produce another record volume of contracts traded as more and more investors seek to hedge their exposure to risk. According to the exchange, the growth can and probably will continue.

"The potential for growth in the domestic scene is so large we don't see an end to it for some time," says Mr Lincoln Gould, the exchange's marketing manager.

"There are no peaks in sight. People — corporations, dealers — are becoming more and more educated in the use of futures. Exchange traded options will be next. And there is potential for international development."

In fact, volumes are still relatively small compared to the world's major futures exchanges, and even in comparison with neighbouring Sydney. But the growth rate is remarkable. In the past year the daily volume of contracts traded has passed through the 1,000 a day, 2,000 a day and 3,000 a day records.

The New Zealand exchange is also unusual for other reasons. In the first place trading is done not through the open outcry system seen elsewhere, but through a network of computers. Secondly, there is no futures legislation to regulate trading. *That is done by the exchange* itself.

Currently, there are five contracts. The first start, in January 1985, was the New Zealand dollar-US dollar currency contract. Then came an interest rate contract based on prime commercial paper, later replaced by 90-day bank bills. By May of that year, the greasy wool commodity contract had been repatriated from London, where it was previously traded.

The other contracts, which have proved even more popular, came later. The five-year New Zealand government stock contract, begun in February 1986, is the most heavily traded and *most liquid contract. The Barc*lays share index futures contract was introduced in January 1987.

The evolution of the futures market coincides with the progressive deregulation of New Zealand's financial sector. The contracts reflect the critical importance assumed by interest rates and exchange rates in the new environment, and by the local stock market.

The share index contract covers 40 major stocks and is the most volatile of the five contracts. On some occasions, says Mr Gould, it has moved 80-100 points in half a day. When the index itself plunged on May 18, the value of physical shares traded was around NZ$18m. On the futures contract, it was NZ$90m.

The original intention was that the contract would be for an all-share index covering some 270 stocks. But stock exchange delays in formulating the index led to one based on the well-known Barclays index instead. An all-share index has since become available, and a contract based on this could be started if the market wanted it.

To speak to those using the market, a prior need is for an alteration in the foreign currency contract. The contract repesents the New Zealand dollar in terms of the US dollar instead of the reverse, and dealers say this hinders wider local understanding of the contract.

One futures broker adds that settlement dates for the contract should also be made identical with those on Chicago's International Monetary Market, so tht cross-rates trades can be done.

But the real area for growth, he says, is in the bank bill contract. Interest rates have been highly volatile in New Zealand under the Government's monetary policy, and most people are exposed to interest rate risk in one form or another. An expansion of futues trading, he says, depends only on greater public education and understanding.

According to the exchange, there is increased interest abroad in the New Zealand futures market, especially from the US and Japan. Before US firms can become involved, however, they need a waiver from the US Commodity Futures Trading Commission to allow them to trade in foreign government bonds and stock index contracts on a foreign exchange.

As for Japan, some encouragement is drawn from Tokyo's decision to lift rules preventing Japanese institutions trading on foreign futures exchanges. Inquiries from Japanese institutions are said to be coming in daily.

The exchange is not talking yet of introducing international contracts as Singapore and Sydney have done—partly because others are already trying it, but also because those *efforts have yet to bear boun*teous fruit. Yet there is outside interest in New Zealand futures.

One attraction is the computer trading system. New Zealand brokers can instantly see all orders executed and all deals recorded. Brokers elsewhere can telephone their order through a New Zealand broker and see it executed on the screen. Clearing—done through the ICCH—poses no problem.

The system is not perfect. If a broker wants to marry two sides of a deal in house, it is difficult. Those used to the certainties of an open outcry system express minor irritation at the wait—perhaps only fractions of a second—to see a deal executed on the screen.

Understandably, the law-conscious Americans also have trouble with the lack of futures *legislation. But* the New Zealand view is simple: a government can not legislate to protect everyone, and any policing role is best done by the exchange itself.

Unsurprisingly, New Zealand has begun to experience the problems suffered by other countries—Singapore before it set up Simex, more recently Sydney—where fringe traders set up firms, advertise extravagant claims and exploit the gullible and greedy.

The New Zealand exchange receives information from its counterparts abroad on such operators. With the help of the local media, it has encouraged participants in futures trading to deal through trading or affiliate members of the exchange, who can be held accountable and depend on their reputation for survival.

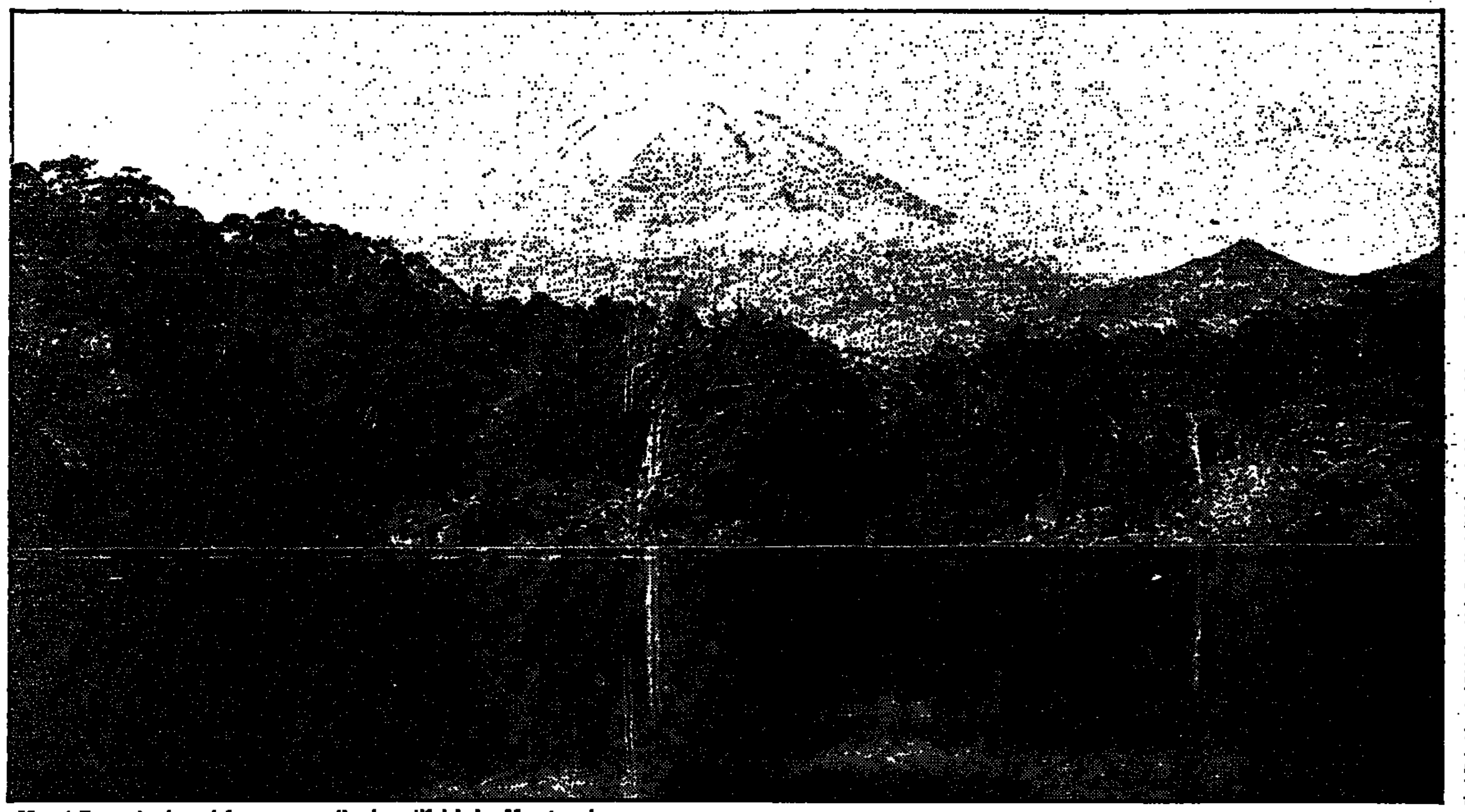
At least one firm has already been forced to shut and three others have had their operations restricted after "bucketing" and "churning" orders at the expense of their clients.

"We feel we're on top of this," says Mr Gould. "We get several calls a day from the public checking out the credentials of individual firms, and we check on the firms ourselves. Remember, this is a small country."

Not all the news is good, however. Last November bankers emerged from a meeting with officials at the Reserve Bank in Wellington convinced that interest rates would rise instead of fall, quite against most expectations at the time.

They promptly ordered government bond futures transactions which saw rates rise—to the fury of those not present at the meeting, whose firms lost heavily. It was a classic example of the importance of information in a deregulated market.

Chris Sherwell



Mount Egmont, viewed from across the beautiful Lake Mangamahoe

Tourism development

The blessing and curse of geography

IT TAKES about two and a half hours to drive the 1963 six cylinder Chrysler Valiant from Auckland to Matarangi beach, a 6-mile strip of golden sand on the Coromandel Peninsula on New Zealand's east coast.

Our destination had been a cluster of holiday homes at the southern end of the beach. The development is still expanding but by European standards appears semi-deserted.

The nearest shop, selling everything from fresh milk to petrol, is at Kuaotunu, a four-mile drive away over a dirt-track road, known as Black Jack Road.

From the picture window that covers virtually one wall of our batch—as they call them here—we can watch the Pacific rollers crashing down about 40 yards away onto the level sand.

Behind the house the coast rears up, the steep slopes densely covered in bush and scrub broken by bare volcanic plugs at the summit.

New Zealanders will tell you how the Coromandel peninsula was decimated by the loggers and the gold miners who wrenched out the land's riches last century.

But the scars have healed as new vegetation has sprung up in a frost-free climate in which everything seems to grow at breakneck speed. To our eyes the land looks wild and unspoilt.

If you love the great outdoors, New Zealand is a magnificent place in which to holiday. I married one of the country's daughters and have been to New Zealand three times in the last seven years—as many times as my FT salary will stretch to meeting the high cost of the air fares.

I have been sailing in the warm crystal clear Pacific waters in the Bay of Islands; visited the sulphurous volcanic springs at Rotorua; helped with foot rotting (a foot manicure for sheep) on a small sheep station in the Hawkes Bay area; and climbed the foothills of the southern Alps around Queenstown on South Island—where some of the best skiing is to be had in winter.

Only the cost of flying has prevented more visits. It added up to almost £2,300 to fly my wife and myself, our 3½ year old son and six months old daughter from London to Auckland in January 1986.

New Zealand's blessing and its curse is its geography. It has wonderfully warm, benign summer weather, a rich and varied topography, and a small, generous-hearted population.

It is also miles away from anywhere, situated on the backside of the world, over 1,000 miles from Australia, its nearest tourist market—roughly the same distance as between London and Moscow.

To fly from Los Angeles to Auckland takes around 19 hours and from northern Europe just over 30 hours, stopping only to refuel and change air crews. Being couped up in a 747 with the more manic members of the family for such a long time can be pretty unbearable, even setting aside the cost of the flying. Marriages have foundered on less.

Hence, New Zealand, despite its many attractions and the improvements the country is making to develop international quality hotels and promote and advertise its wares around the world is unlikely ever to become a mass tourist market.

Tourism is new New Zealand's fourth biggest earner of foreign exchange behind meat, dairy and manufacturing.

Since 1982 the number of visitors arriving annually in New Zealand, has risen by more than 60 per cent. Last year more than 700,000 visitors visited the country and by 1990 this number is expected to have reached 1m.

Until 10 years ago Australian visitors dominated the industry providing between 55 and 60 per cent of all arrivals in New Zealand. But the proportion has fallen steadily in recent years as visitors from other destinations have increased steadily—notably from North American and more recently from Japan and other Far East countries, like Singapore and Taiwan.

In the year ending March 31, 1987, the proportion from Australia was down to around 35 per cent of all visitors to New Zealand.

In the holiday market, it has just been outstripped by the US which last year provided 28.3 per cent of all holiday arrivals compared with 28 per cent from Australia.

Mr Les Probert, marketing manager of Thomas Cook's New Zealand operations, one of the largest international tour operators in New Zealand, says that international press coverage of events such as the nuclear defence issue and the sinking of the Rainbow Warrior have made people more aware of the existence of New Zealand.

"Many Americans who were turned off travelling to Europe several years ago because of the threat of terrorism have turned to New Zealand as an alternative, more peaceful less threatening, holiday location," he says.

Australia and the US may be New Zealand's biggest tourist markets but the Far East represents the fastest growing sector. Most hotels and many shops in Auckland, Wellington, Queenstown, Rotarua and the Bay of Islands carry signs in Japanese.

Japan is New Zealand's third biggest source of tourists. Last year it accounted for 12.7 per cent of all holiday arrivals—an increase of 27.8 per cent over the previous 12 months. But the biggest increase in holiday arrivals was supplied by Singapore which produced an 81 per cent increase in its number of visitors last year. Singapore accounts for around 2 per cent of all holiday visitors to New Zealand.

Hong Kong and Taiwan are also supplying an increasing number of tourists. The state-funded New Zealand tourist authority is planning a major marketing exercise in Hong Kong and Taiwan to promote the country's varied tourist attractions and increasing quality of its resorts and hotels.

Top international quality hotels are still relatively thin on the ground but the level of investment has risen over the past decade as the scale of the tourist industry has expanded.

Far Eastern money has been behind some of the more recent investments in international quality hotels. The 330-room NZ$60m Regent Hotel completed in Auckland in 1985, for example was financed by Eastern Prime Line, a Hong Kong company.

Tokyo International of Japan is currently building a Pan Pacific hotel in Auckland for about NZ$80m. Japanese investors also have a major shareholding in the NZ$60m Parkroyal Hotel under construction in Christchurch in the South Island.

Andrew Taylor

Property market

Freer climate triggers office construction boom

HIGH ABOVE the shiny new office towers, the great cranes continue to lift and strain as yet more concrete and glass starts to heave out of the ground to threaten the airspace of neighbouring buildings.

New Zealand's two premier cities of Wellington and Auckland are experiencing an unprecedented construction boom as land values and office rents have spiralled in the new free wheeling commercial climate of this country.

Private businesses, which for years were impeded by government controls and restrictions, have suddenly been freed to flourish as financial markets have been deregulated and other controls have been swept away by the Labour government.

The commercial property market, like many other areas of industry and commerce in New Zealand, has been transformed in the last three years.

The increase in new development has been staggering. Around 1m sq ft of new office space is expected to come on to the market in Auckland alone this year compared with an average of only 250,000 sq ft a year between 1973 and 1983.

A host of new property companies, such as Mainstay and General Properties, have been started, while traditional developers like Mainzeal and Chase have dramatically expanded their commercial property operations and in some cases floated new companies on the stock exchange.

New players like Rainbow Corporation, the investment and leisure group, and Kupe the oil exploration group, have also come into the market to get on the back of the office development boom.

Small fortunes have been made by commercial property developers, investors, entrepreneurs and almost anybody associated with the building industry.

Now questions are beginning to be asked about whether the pace of development will be matched by corresponding growth in tenant demand as New Zealand enters the 1990s. Property share prices have dropped sharply since November (1986).

Despite these reservations, there is no sign of development activity slackening. Office lettings remain very strong and developers are experiencing no problems in finding tenants to fill their buildings.

Demand for top quality premises has rocketed, as banks and financial services companies, in particular, have rushed to take advantage of their new-found freedom.

Employers, concerned with corporate image—and the need for quality accommodation to keep scarce skilled financial staff happy—have upgraded their space requirements and are demanding bigger and better offices as business activity has increased.

Developers have been unable to keep pace with demand and rents have risen dramatically. In the central business districts of Auckland and Wellington prime office rents between 1983 and 1986 jumped from NZ$140 a square metre to NZ$260 a square metre.

Retail and industrial property, by comparison with the office sector, have been less exciting and more fragmented markets—although good growth has been achieved in some areas.

In Auckland industrial and fringe commercial properties have, for example, seen exceptionally strong growth in suburbs like Takapuna and Manukau.

The Christchurch office market on the South Island has also seen an increase in development activity and property values, but on a smaller scale than that in Auckland and Wellington, where the country's wealth and political power is concentrated.

Some analysts, however, are beginning to worry whether the Auckland and Wellington office markets are in danger of becoming overheated and whether the bubble is about to burst.

By 1989 a string of new office developments, under construction or planned, should have been completed in Auckland and Wellington. Many observers believe this could be a key year for the rental market.

Rental trends, traditionally, run two years ahead of the building cycle. Rents are not determined by buildings opening now, for which deals were struck some time ago. Developments which set market rents are those due to be completed several years ahead for which agreements with tenants have still to be reached.

In Auckland and Wellington much of the office space now under construction, or planned for completion by 1989, is fully let.

Worries about a softening of property values and the possibility of too many buildings chasing too few tenants centre on the next generation of office buildings with a series of major developments, providing further large chunks of space, due to be completed into the 1990s.

It was the fear that by the end of the decade office supply will be running ahead of demand that in part prompted the recent shake-out in property share prices.

Buttle Wilson, the New Zealand stockbroker and investment bank, says that by the end of last month the Barclays index, recording share price movements of New Zealand's 50 largest companies, had fallen by around 23 per cent since November.

By comparison, the drop in the price of property company related shares has been much steeper.

Chase Corporation shares, for example, have fallen by about 60 per cent since November. Rainbow Properties shares have fallen by about 80 per cent, Mainzeal and Wellesley by about 50 per cent and Landmark by about 65 per cent, says Buttle Wilson.

The brokers agree that current figures of supply and demand point to an excess of office accommodation by the end of the decade in both Wellington and Auckland.

"The difficulty is in assessing likely demand from the private sector, particularly from the financial sector, which has exploded as a result of the economic reforms introduced by the Labour government," says Mr Douglas Paul, senior investment analyst with Buttle Wilson.

"If growth is faster than expected then a lot of the space currently planned will be taken up."

Financial institutions, which have been at the forefront of the increased demand for office accommodation, however, expect a more difficult trading period over the next two years.

A large number of new players, both domestic and foreign, have entered the market while existing financial institutions have expanded their operations to take advantage of the new commercial freedoms.

Competition

Merchant bankers like Fay Richwhite and Indosuez New Zealand expect competition to increase and margins become narrower during the next two years as opportunities for further expansion became more restricted.

Commercial property agents in New Zealand, like Harcourt Corporation, one of the largest, believe that high quality prestige, internatonal style, office buildings will continue to be in strong demand from the private sector and will be insulated from the effects of any softening of property values.

Older and lower quality buildings on the fringe of central business districts, however, may become more difficult to let as even more concrete and glass towers come onto the market.

Mr William Leckie, a Wellington-based executive of Harcourts, says, "It is inevitable that buildings will be graded from the new international quality downwards. Those that operate in prime locations at top quality are unlikely to be as vulnerable when the chill winds blow.

"What will remain unchanged is the fact that New Zealand has come of age in the property world."

Andrew Taylor

Thousands of farmers may be forced off the land by bankruptcy

Grim battle for survival down on the farm

DICK JOHNSON'S working day starts at 5.30 am when he sends his dogs out to round up the 120 cows he milks on his 200 acre dairy farm in the north of New Zealand.

At 8.30 am when his wife Pat has seen their three children off to school she goes out to the milking shed to help her husband clean up. Dick then moves to the panel beating workshop he has set up on his farm. He spends the day panel beating and repairing cars brought to him by neighbours and people who have heard of his second occupation.

In the late afternoon Pat moves into the milking shed to do the evening milking on her own, so Dick can concentrate on the panel beating work. Around 8 pm at night they finish their evening meal and have a brief hour of shared family life.

He does not want to own a car repair shop. His wife has no desire to milk 120 cows every day without help. They do it because they are determined to retain their farm but without the $NZ 20,000 Dick, who is now aged 28, earned last year from the panel beating work they would be bankrupt. This was more than they cleared from dairying operations.

Yet Dick Johnson is a good farmer. He is just one of 6,000 NZ farmers caught in a web of debt and economic stress caused by soaring interest rates and high inflation. Farm costs have kept well ahead of any increases in price received for their milk fat.

The biggest problem for NZ farmers, however, is the amount of their indebtedness and the crippling interest bill which has to be paid each quarter.

Because of their determination to survive and willingness to work well beyond the ordinary daily span the Johnson's will probably manage to keep the creditors at bay and hold on to their farm.

Even their sheer hard work, however, will be in vain unless interest rates fall, there is an improvement in world dairy prices and Dick Johnson can, in a few years afford to buy more land and increase the size of his dairy herd.

Today even 120 cows is not a viable unit for a one-man New Zealand dairy farmer, operating alone with help only from his wife, according to New Zealand Federated farmers, which speaks for the majority of New Zealand's 55,000 full-time farmers.

Last year Prime Minister David Lange suggested that up to 8,000 farmers might be forced off their land because of the reconstruction aimed at making New Zealand farming more efficient and more viable.

Mr Lange's figure now appears overly pessimistic but there is no question that thousands of farmers are fighting for survival.

Six thousand are in arrears with their interest and capital repayments to the Rural Bank. More than 1,000 of these appear headed for bankruptcy and forced mortgagee sales despite efforts by the bank and the Government to restructure their debt spreading repayments over a longer period.

Farmers must now produce to meet the demands of the market not, as they did in the previous environment with its production subsidies, boost production for the sake of production itself, irrespective of whether the dairy products or the meat could be sold at a profit.

Spurred by official Government policy and fuelled by production subsidies farmers were encouraged to borrow heavily to buy more land or try to make unproductive land suitable for farming.

The thousands who went heavily into debt but who could then cope because of the Government incentive payments have now been caught by the soaring interest rates of between 20-30 per cent on loans and mortgages and the removal of subsidies.

The Labour Government has swept away all subsidies and incentives. Federated Farmers point to an OECD report, which says the NZ farmer is now the world's leader in viable farming without Government aid or subsidies.

Plenty of protests: thousands of farmers who went into debt but who could at one time cope because of Government incentive payments have now been caught by soaring interest rates

Never has there been such a gap between different sectors of NZ farmers. The older, longer established farmers who avoided heavy borrowing, and who can cope with their debt and interest payments have had a reasonably good year—especially in comparison with the previous few seasons.

The weather has been good and prices for some commodities such as wool have been better than expected. Those who were able to hold their lambs back from market, to gain extra weight before sending them to the processing works, benefited from better prices.

On the other hand younger farmers, with a low equity and big debts on their property who desperately needed a cash flow and who have had to sell their labs as soon as they could, did not do so well.

Inflation has stubbornly stayed high—it is still around 18 per cent while world prices for many agricultural products, especially in the dairy industry, have been held down by EC farm policies and dumping of cheap products.

NZ farmers are unanimous that EC farm policies are grossly unfair—not only to farmers in other countries who suffer from weak prices but also to its own farmers who miss out on the benefits which would come from a reduction in EC export subsidies.

Inflation has caused a vicious circle for NZ farmers. Because costs are high and incomes are down, farmers have cut back severely on fertiliser and other farm inputs.

This in turn means lower production. Some of the 15 per cent cut back in dairy production this year was because less fertiliser was spread on NZ pasture. Lower production means even lower gross incomes.

The value of the NZ dollar has stayed stubbornly high. Last year farmers were putting extreme pressure on the Government to reduce the exchange rate so farm gate prices would increase. This the Government has steadfastly refused to do.

Farmers are now not so obsessed with the need to bring down the value of the dollar, although they would welcome some easing of the exchange rate against the US dollar.

Today farmers are much more concerned at the continuing high interest rates, high land values, high inflation and the prices farmers must pay for items needed to run their farms efficiently.

For many NZ farmers, however, it has indeed been a hard summer in a fierce economic climate. Without some rapid improvement it will become a harsh economic winter in which many will not survive.

Dai Hayward

Farm diversification

Seeking profit from the exotic

JUST TWO years ago a stud angora buck goat sold for NZ$140,000 at a New Zealand auction sale to a buyers anxious to join the booming new goat farming industry.

Today top-quality breeding goats can be bought for around NZ$10,000.

This reflects both the explosion in the domesticated goat population and the change from a speculative to a production value for farm goats.

In 1984-85 there were 230,000 goats on New Zealand farms. In 1986-87 there were 649,000, and by the end of the current 1987-88 year there will be 900,000.

The rapid change in the status of goats from being a wild, noxious animal, officially classed as a destructive pest hunted and shot on sight, to a valuable productive animal has been caused by the transformation of New Zealand farming.

Not so many years ago, New Zealand's major farming industries were based on sheep and cattle grazing for meat, wool, dairy products and beef. Now stark farm economics, which forced an agricultural upheaval, has induced New Zealand farmers virtually to have a go at anything which promises to be profitable.

Goats are only one of several alternatives—and along with deer—the most common of the new animal husbandry developments. There are now well over 3,000 goat farmers—many of them combining goats with their older established sheep farms.

New Zealand had—and still has—a large wild goat population. Early goat farmers were based on feral goats trapped or captured with tranquilliser darts often fired from helicopters.

These were mated with angora and cashmere goats to build up and develop higher quality flocks.

Early comers to the industry bred goats to sell as breeding stock. Their sale value was many times higher than their economic value as productive farm animals.

Even in the early days, however, farm economists waned that, as larger flocks became established, prices would fall, and goat farming would have to be viable as a fibre and meat-producing industry.

This position has now been reached with angora goats selling for about 20 per cent of the peak prices realised in 1985. The industry is still fibre-orientated because farm goats generally are still too expensive to slaughter for meat.

Shearing techniques based on New Zealand's skilled sheep-shearing methods—although using hand clippers—have been devised.

In mid-March a producer group goat-fibre marketing company signed a contract which could be worth NZ$10m to supply cashmere fibre to a British importer for the next three years.

At today's prices a well-bred animal can produce up to NZ$30 of cashmere a year. Cashmere production increased from 15 tonnes in 1984-85 to 50 tonnes this year. Production next year is estimated at 80 tonnes.

Production of mohair, the coarser fibre, has grown from 100 tonnes in 1984-85 to 260 tonnes this year, and will reach 380 tonnes next year.

The new "cashgora" fibre, a cross between the other two types of goat fibre, has attracted widespeard interest. Production this year will be about 50 tonnes.

With the declining prices for breeding stock in New Zealand, two New Zealand angora goat farmers have successfully exported their stud animals to Britain.

In late January, New Zealand farmer Mr Mort Webber almost doubled the number of registered pure bred angora bucks in Britain, when he held a sale of 49 young New Zealand-bred kids.

His top price was 7,500 guineas with the average just over 2,000 guineas. In April another New Zealand breeder sold a shipment of 18-month-old does and bucks at prices ranging from 2,700 guineas to 3,100 guineas.

Deer is another animal, which, like goats, were once regarded as a pest and such a serious threat to New Zealand's forest lands that the Government employed professional hunters, paying them a weekly wage and a bonus, to shoot them.

Then, 15 years ago, with the development of a venison market in Europe came the era of widespread hunting from helicopters. The airborne hunters also recovered the shot animals from the steep mountain peaks by helicopter.

The standard method was to suspend three or four slaughtered deer beneath the helicopter for transport to the processing and packing house.

From this developed deer farms with the nucleus of the herds being captured does or young deer.

The industry is now controlled with licensed packing-houses, strict hygiene regulations, and a statutory authority—the Game Industry Board—set up to monitor venison exports.

Venison production this year will be 4,300 tonnes—with half going to West Germany, New Zealand's biggest market. The US, South Korea, Hong Kong and Japan are growing markets. Exports last year were worth NZ$31m.

Sales were hit badly by the Chernobyl nuclear disaster because the German public stopped eating venison.

New Zealand has now started a campaign to identify New Zealand venison to the consumer, stressing that it comes from a clean, unpolluted country with a high reputation for quality food.

Deer are also farmed for their velvet—the young antlers which are in big demand in the east for medicinal and aphrodisiac products.

The export price for good quality velvet this year is NZ$120 a kilo, making deer velvet exports worth more than NZ$8.1m. The national deer herd will increase by 25 per cent this year.

A third animal, long regarded as a pest and which brought economic ruin to some hill country farms in the 1930s and 1940s, the rabbit, is another now being looked at as a potential worthwhile export industry.

These are not, however, the wild rabbits, which, before the systematic use of myxamatosis to wipe them out, created havoc on farmland and drastically reduced the number of stock which could be carried.

Breeding stock for the first angora rabbit farms cost NZ$800. Now, stud animals are available for around NZ$200. The industry, launched to produce angora fibre, is firmly established, although still in its infancy.

Efforts to establish South American llamas as a possible viable farm animal in New Zealand have been shelved, at least temporarily, because of the presence of foot-and-mouth disease in Chile.

Some pioneers were experimenting with breeding llamas, and last year, when interest was first aroused, the price for a breeding animal was NZ$15,000. The attraction of llama farming is the hgh price offered in the US for the fibre.

Opposums, the Australian noctural large squirrel-like tree dweller, very unpopular with fruit farmers and tree lovers, because they destroy young plants and trees, is now being looked at seriously as a commercial fur and meat producer.

For many years, poisoning of opposums to keep down their numbers was widespread. Now efforts are being made to trap them alive for commercial production.

Their fur improves in captivity and is in dib demand in European fur markets. A good skin is worth between NZ$30 and NZ$40.

Several other exotic breeds and unusual animals are being looked at seriously as potentially profitable export earners, as the New Zealand farming industry and individual farmers seek to diversify into new crops and flocks.

One farmer in Taranaki, in the heart of the New Zealand dairy country, even has an ostrich farm. This perhaps highlights the fact that—unlike the ostrich—New Zealand farmers today do not have their heads in the sand, when faced with the need to extend their livestock operations away from the traditional sheep and cattle.

Dai Hayward

Dairy industry exports

Producers hit hard by low world prices

THE New Zealand dairy industry is gambling that international prices for dairy products will increase this coming year. This would happen if the European Community reduced its export subsidies.

New Zealand dairy leaders believe the arguments in favour of this are now so strong that the EC—which would itself benefit considerably from a lift in world prices—will take action to help bring it about.

The New Zealand board, which markets all New Zealand dairy production, has guaranteed NZ dairy farmers a price of NZ$3.10 a kilo for milk. This is 25 cents a kilo more than returns from current world prices for dairy products. If prices do not rise, the board will have to borrow heavily to meet its commitments.

It says, however, it has no option. New Zealand dairy farmers—claimed to be the most efficient in the world—are struggling to stay in business.

Many farms, which are heavily in debt are expected to go under the hammer in forced sales this year. The industry's problems, created by low prices on world markets, falling production, high internal inflation and debt interest rates of between 22 and 30 per cent, have been aggravated by the cancelling of farm assistance schemes as part of the Labour Government's economic restructuring.

The average New Zealand dairy farmer milks 150 cows a day with help only from his wife and occasionally some casual labour. His net income from farming operations this year was between NZ$10,000 and NZ$15,000. This is barely enough to live on and is less than the minimum income, set by the government for a working family with one child.

The 150 cows milked each day at a one-man New Zealand dairy farm compares with the 50 cows milked on a British farm and 15-20 cows in France.

The arguments for reducing EC export subsidies, allowing world prices to rise, are strong. First, there is virtually a world shortage of all dairy products, except butter. New Zealand itself cut dairy production by 15 per cent last year and expects another 2 per cent drop this coming season which starts in July.

Milkfat production will be 300m kilos—down from 349m kilos last season.

New Zealand can sell almost all the dairy products it can produce—again with the exception of butter. The demand for cheese, milk powder, casein and other products are so great it has had problems meeting customer demand.

New Zealand has got rid of its butter stockpile. It partly achieved this with a sale of 60,000 tonnes to Brazil for a negligible return during the past year. It starts the new season with a shortfall between expected demand and supply of all other products.

The US is reported to have no dairy production available for export for at least 18 months. Canada has committed all its production and cannot increase exports.

The European Community has already moved to sell part of its butter stockpile to the Soviet Union and to cut back milk production. It has accepted that EC production should be in balance with demand and has created the machinery to bring this about. The only aspect on which EC officials and New Zealand differ, is the speed with which this balance will be achieved and the need for urgent cuts in EC dairy export subsidies.

New Zealand argues the EC could reduce its export subsidies immediately. These have not increased international consumption. No more dairy product is sold now as a result of low prices than four years ago.

New Zealand negotiators point to Japan as a typical example of how EC subsidies have kept the international commodity price down, but given no benefits to the consumer.

Four years ago, Japan paid US$2,000 a tonne for cheese—today, despite inflation, it buys its cheese for only US$1,200 a tonne, but the price to the Japanese consumer has not come down. Although Japan has restrictions on butter and cream imports there is no bar on cheese. However, the price is high and this affects consumer demand. The EC's subsidised export price has simply provided bigger profits for importers.

The New Zealand Dairy Board (NZDB) believes world market prices for dairy products could double without affecting consumption. If this was achieved dairy farmers everywhere—in Britain, France, Denmark, the other EC countries, Canada and the US as well as New Zealand would all benefit.

The world market for dairy products is the equivalent of between 20m and 25m tonnes of milk. Of this New Zealand supplies 7m tonnes and its dairy industry is a vital part of the economy. If the dairy industry ceased to exist, or collapsed because of the uneconomic world prices, the country itself would be in a serious economic plight.

The EC supplies between 50 to 60 per cent of the world dairy market and exports this at a highly subsidised price. New Zealand exports 85 per cent of its production, with no subsidies on its prices or costs.

In its constant efforts to maintain markets and develop new customers the New Zealand dairy industry has shown a singular willingness to produce a product tailored specifically to the needs of an individual customer. It now produces many hundreds of different products although many vary only slightly.

It recently established a new fetta cheese factory to supply Iran with the type of cheese that country prefers.

There has been a good demand from bakeries in many countries, for its butter sheets—huge flat sheets of butter only a *half an inch thick* rolled out like a housewife's pastry.

For 18 months it had a French cheese consultant in New Zealand working with its own technicians to perfect production on a range of French types of cheeses. These are now being successfully sold locally and will be exported to Australia.

One of its more enterprising successes has been to break into the cruise ship market in the US and Europe. It has established a subsidiary company in Fort Lauderdale, Florida, to support its aggressive marketing to luxury cruise ships sailing out of Florida, the Caribbean and the Pacific. This year sales of butter packed in special individual pats to these lines will reach 1,400 tonnes.

South America has become not only a major market but in some ways also a partner for the NZDB. This year, sales to South Africa will exceed 100,000 tonnes. Realising that many countries in South Africa are dependent on two-way trade, the NZDB is helping them develop markets in New Zealand so that they can in turn buy New Zealand dairy products.

Although by international standards the NZDB is a large production and marketing company in its own right it has recently expanded to set up joint ventures or to buy into suitable concerns in other countries.

To boost its direct involvement in the market-place, the NZDB acquired all or a major interest in ten international companies last year. Five of these were in the US. They include Otto Roth, a major cheese importer with a $65m turnover, and N. Dorman, another US cheese importer with a $125m turnover.

The board merged these two companies which gives them 100,000 outlets, including supermarkets, which can market New Zealand cheese.

One of the board's big moves was to acquire Anagra, one of the largest agricultural-based companies in Chile. Operating in the Chilean domestic and export business for more than 100 years, Anagra, which also has shipping and wool interests, owns a controlling share in Soprole, one of Chile's three leading dairy companies.

Soprole's brand name is second only to Coca Cola in Chile. It has more than 25,000 retail outlets in its distribution system. These are now available to New Zealand dairy products.

The move with Angara was part of the NZDB's new philosophy to move downstream in its marketing.

The investment in Anagra cost New Zealand dairy farmers US$30m, but the board is convinced the partnership will be a profitable one.

The NZDB has also moved into the export of live dairy cows. Earlier this year it bought a two-thirds interest in an animal export company which has been exporting live thoroughbred breeding cattle to South East Asia.

Now it has turned to South America. In late June, the world's largest-ever shipment of live thoroughbred dairy cattle left New Zealand for Venezuela. The young cows, every one of which was in calf, were carefully selected and bred from a Sahiwal-Friesian cross, a breed particularly suited for dairy production in tropical conditions.

For more than two decades the industry's marketing efforts have been under attack from advocates of agricultural trade protectionism erecting quota and barriers to keep New Zealand out.

This has changed for ever the traditional pattern of trade. Before the creation of EC barriers, New Zealand sold 75,000 tonnes of cheese to the UK alone. Today it is permitted to ship only 9,000 tonnes to the whole of the EC.

It is butter over which the biggest question mark hangs. Exports to Britain have been cut back every few years from the 165,000 tonnes in former years to the 74,500 tonnes now allowed under the EC quota. In the new year, this quota has to be renegotiated.

New Zealand's dairymen are convinced that British farmers—and those who advocate further cuts to New Zealand's sales of butter to the UK, do not fully understand the consequences of this suggestion. British farmers who think they would sell more in their home market would not, says the New Zealand Dairy Board. New Zealand butter, banished from the shelves of British supermarkets, would be replaced by Danish or Irish butter.

Secondly, New Zealand would have to sell its butter somewhere else at whatever price it could get. The world butter market is extremely limited and susceptible to price movements. New Zealand's only alternative to the British market is to compete strongly against existing EC butter sales in other markets. Its success would be at the expense of EC butter which in turn would have to look even more to its home market. Therefore, any chance of British farmers winning a higher quota would be extremely slim, it is claimed.

New Zealand dairy industry leaders have been encouraged by recent Gatt talks in which agricultural protectionism came under attack and also by what appears to be a new willingness among EC countries to accept the advantages to all of lifting some of their export subsidies so that international dairy prices can find a more realistic higher level.

Dai Hayward

New Zealand dairy farmers claim to be the most efficient in the world. Above: automatic milk bottle-filling at the Hutt Milk Corporation

Meat industry

Big shift in the market

UNTIL a few years ago, each one of the more than 30m lambs exported from New Zealand every year was shipped frozen, wrapped in muslin cloth and stacked like firewood in the holds of refrigerated ships.

Today, with the exception of those going to Middle East countries, more than half New Zealand export lamb is processed and packaged as catering and consumer cuts.

This is one result of the New Zealand meat industry moving towards a consumer oriented market, rather than a commodity market.

The leg of lamb, formerly exported as part of a whole carcase and cut by Britain's high street butchers as the traditional Sunday joint for millions of British families, now leaves New Zealand processed in more than 20 different ways. They are produced bone in or bone out, rolled, stuffed or trimmed to different sizes or shapes and to an exact weight specified by a particular customer.

Bernard Matthews, the British turkey producer, has helped the New Zealand meat industry to produce an oven-ready joint. They quickly became popular both in Britain and New Zealand, and for a period production could not keep up with demand. Now 8,000 cartons a week—the equivalent of 24,000 lambs—are coming out of the New Zealand processing factory.

The move towards greater processing and packaging of the carcase before it leaves New Zealand was accentuated by the growth of the supermarket trade. Whereas once the traditional butcher bought a whole carcase to cut in the back of his shop, now major buyers want a packaged, processed joint they can put straight into the meat counter.

This is one reason why fewer lamb carcases are shipped to the UK, but there has been a big increase in the volume of meat processed in New Zealand before shipping.

Last year, a total 98,783 tonnes of New Zealand lamb went to Britain. This is just under a quarter of the total lamb production. This season this is expected to be around 404,000 tonnes.

New Zealand exports about 750,000 tonnes of meat to 90 different countries. About half is lamb, making New Zealand the world's greatest lamb exporter. Another third is beef, or veal—the rest mutton and other meats. The Middle East continues to be a major market for New Zealand lamb. Iran will get 99,000 tonnes of this season's production—which ends in July—as well as 5,000 tonnes of allocated but not shipped last season. Two years ago, Iran insisted on an oil-for-meat barter deal, but this year is paying cash for its New Zealand lamb.

The New Zealand Meat Board did negotiate one barter deal last year—with Poland—exchanging lambs for general cargo containers. The containers were disposed of to a US container company on a part-outright sale part-leaseback arrangement.

To help gain and hold the Middle East market, New Zealand has been careful to set up a specially approved Moslem slaughtering procedure, using Moslem slaughtermen with officially designated Moslem religious observers, who thoroughly check New Zealand processing works to ensure the killing method complies with religious requirements. This includes an insistence that the slaughterman faces Mecca as the animal is killed.

This season New Zealand will process 35m lambs. Production will drop to 32m next season, as restructuring in the farming industry will see another decline in the national sheep flock. Economic factors are forcing many farmers to switch from meat production to other agricultural products. Several sheep farmers in the north island have changed over to beef production.

The decline in the lamb crop started a few seasons ago and has produced a surplus of killing and processing capacity. The large meat-processing companies own several killing and freezing works in different parts of the country.

During the past two years, there have been several mergers and takeovers in the processing industry as companies began rationalising their production facilities.

Two giant meat works—which can process up to 10,000 lambs a day—were closed down permanently and another could not

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New Zealand's forestry operations have seen traumatic and far-reaching changes

Uncertainty for meat exporters

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open this season because the company could not obtain what it considered to be a satisfactory work agreement with the meat workers' union. This reflected a much more determined attitude on the part of meat companies in their bargaining procedures.

The closure of meat-processing plants has not been as rapid as some in the industry *predicted. This was partly* because of the resistance and social upheaval such closures create. The meat works is often the major or even the sole industrial employer in the community and the effect of a town's virtual entire work force suddenly becoming unemployed is traumatic, especially in New Zealand, which for more than 40 years was largely sheltered from such upheavals.

However, more processing plants will close or reduce their production capacity. But one bright spot this year was the opening of a smaller works specially designed to produce chilled for the growing chilled-meat market.

More than ever before, the New Zealand meat industry is conscious of the needs and requirements of its various customers right down to retail level, and is making a determined effort to satisfy them. This is changing many of the traditional processing and farming methods.

Concerted efforts have been made to extend the growing and killing season to provide a longer continuity of supply—something not easy to achieve when dealing with a living, growing product.

Instead of allowing all ewes to give birth at the same time, and for the lambs to mature over a *short period, farmers are trying* to extend the breeding season by having different breeds of sheep in their flock. They allow only a number of their breeding ewes to mate each month, thus extending the lambing season over a much longer period.

This means the entrepreneurial exporters and big buyers can negotiate contracts and offer guaranteed prices and regular payments for definite quanitities of consistent sized lambs delivered on a regular basis. They also provide payment in advance. This takes some of the uncertainty out of the farmers' financial operations.

This has been particularly important this year, when farmers' incomes have improved only marginally above the record low level of last year and when many younger farmers, with high mortgage and interest payments face the real prospect of losing their farms because they cannot make the loan repayments.

The New Zealand meat industry *is extremely* concerned at the growing mood of protectionism in international meat markets. New Zealand operates a voluntary restraint quota system with the EEC, but this season, its total shipments to the EEC did not reach the permitted level.

Discussions on the EEC sheepmeat regulations are due next year but already some farmer groups in France and Britain are exerting political pressure to promote their own cause.

New Zealand sheep farmers believe their counterparts in the EEC and US do not fully *appreciate the situation of New* Zealand farmers who have no government subsidies to assist them to cope with their depressed incomes.

Recently, the New Zealand media contrasted the value of a British lamb, boosted by aid payments to well over NZ$100 and a similar New Zealand lamb with no government subsidies valued only NZ$30 — including the value of the pelt.

The most urgent and serious problem facing the New Zealand meat industry at present is in the US, where regular attempts are made to introduce protectionist legislation to control or reduce New Zealand lamb imports.

A recommendaion to impose a lamb quota was recently tacked *onto a trade bill and the Meat* Board has been devoting considerable energy to counter this in Washington and with American sheep interests.

American domestic sheep flocks have fallen from 30m to 11m over the past ten years. There are many factors for this. *Sheep farmers' sons do not* want to follow their family's farming traditions and have no desire to spend years of their lives herding sheep; there is a shortage of the Mexican and Basque sheep herders who were a mainstay of US sheep-raising methods.

There is also a shortage of shearers in America. New Zealand shearers, with their fast style enabling a good shearer to shear more than 300 sheep a day, are now spending part of the season in the sheep-grazing states.

Those wanting to restrict imports claim New Zealand lamb sales have contributed to the decline but the New Zealand meat industry says this is not so—New Zealand is simply being used as a scapegoat.

Dal Hayward

Forest products

New corporation leads change

NEW ZEALAND'S forest industries have become increasingly international either through the size of their global operations and their ownership or through links with large-scale forestry companies in Canada, US, Chile and Australia.

New Zealand Forest Products established 52 years ago and now the largest forest utilisation company in New Zealand, is a joint partner with Amcor of Australia in a new medium density fibre-board plant in Australia, due to be opened next year. It will be the largest in Australia.

Fletcher Challenge, now owns 96 per cent of Crown Forest of Canada, along with a controlling interest in British Columbia forest products and is involved *in a joint venture ownership of a* newsprint mill and forest in Chile.

FCL is now the world's second largest producer of both pulp and paper, Carter Holt has acquired a large forestry group in Chile and also has wide Australian interest. Nelson Pine Forests—which compared to the industry giants is a small joint venture between two local companies and a Japanese partner—last year opened a medium density fibre-board which has a guaranteed contract to ship one third of its output to Japan.

These developments and the attempted NZ$1.5bn takeover of NZ Forest Products by Fletcher Challenge, which was fiercely resisted and finally abandoned earlier this year—kept public attention focused on the big privately-owned forestry companies.

It has been however, in the state-owned forestry operations in which the most traumatic and far-reaching changes have taken place. On April 1, the former state-owned forest service which had assets of NZ$56bn and owned more than half of the 1m hectares of commercial plantations in NZ, was split into three separate state-owned corporations. *This is part of the* Labour governments plan to make state enterprises mor efficient, more commercial viable and operated on commercial principles, divorced from the restrictions of bureaucracy.

The new Forestry Corporation has taken over all the commercial activities including the logging, milling and sales of the former huge state-owned forests. Its assets including ½m hectares of growing trees and two large commercial sawmills. Its planted forest of 600,000 hectares compares with the 165,000 hectares owned by NZ Forest Products and 110,000 hectares owned by Fletcher Challenge.

Despite the huge reduction in staff, including logging crews, production of felled timber has actually increased in the four months since the change-over. One reason is the incentive given to loggers and others involved in the extraction of timber *to become self-employed.*

Many loggers, who were formerly civil servants, jumped at the opportunity to form eight- and 10-men self-employed units, felling trees under contract. Most of the equipment they needed was bought on favourable terms from the old forest service.

An example of the new mood and new approach to the job is *logging gang No. 42.* Its eight-man co-operative gang work in Kaingaroa forest, the largest man-made forest in the world. Their contract calls for them to deliver 365 tonnes of felled timber a day. *Frequently they* accomplish their five days target by Thursday evening and have a three-day weekend.

Because they are now paid not only on quantity as previously, but also on quality, the quality of timber coming out of the forest has also improved substantially. Chief Executive of the new forest corporation Mr Andy Kirkland says "the whole operation and the whole approach right through the corporation is geared towards bottom-line efficiency." Mr Kirkland was himself a senior civil servant in the forest service. He was one of those who long ago recognised the shortcomings and difficulties of trying to run an efficient commercial operation under the traditional civil service structure.

Compared with the old state Forest Department, the new corporation's total office and logging staff have been cut from more than 7,000 to 2,600, including 1,300, mainly logging crews, who are working on contract.

Whole sections, such as the large head office engineering supervisory staff, which were regarded as necessary under the Civil Service structure, have been completely swept away.

Although there was considerable media attention focused on the number of jobs which would be lost, and disruption this could cause to small communities built around logging operations, the transition was in fact accomplished reasonably smoothly.

The 3,000 wages staff were offered a substantial redundancy package or the guarantee of employment for at least one year. The new corporation thought it would need to keep 1,000 men on its payroll. It expected about 1,500 to opt for the 12 months guaranteed employment. *In fact only 600 did so.* This has given the new board and management team the opportunity to take a greater in-depth look at every operation and establish the minimum number needed to operate successfully.

Operations have also been decentralised. Instead of the huge head office structure there are *now only a handful of senior* management in the Wellington headquarters. Decision making has been passed down the line, with local managers responsible for their own operations and ultimately their own profitability. There is greater emphasis on marketing. Even sections within the corporation itself have to act competitively in dealing with each other, so that, for example, if the export division is negotiating a sale of logs to Japan it will have to negotiate with the supply company manager in competition with other potential customers. Previously forest service wood was sold by tender. In future it will be sold by negotiation between salesmen and customer.

The corporation has the facilities to mill only 10 per cent of the trees it produces. The rest is sold—much of it to NZ Forest Products and Fletcher Challenge's Tasman pulp and paper company for their giant newsprint mills.

The growth in demand for timber and timber products over the last few years has put a strain on the amount of NZ wood available for milling. Because of variations in the planting programme in the decades since 1926 when large-scale forest planting began, much of the forest milled over the past few yers have been large, 50-year-old trees.

These are now rapidly coming to an end and 40-year-old trees are beginning to fall under the loggers' chainsaw. Soon trees coming out of New Zealand forests will be 30-years-old. This means the size of the log will be smaller.

However, the quantity lost will be offset by improved quality of the timber. The younger trees have benefited from in*tense pruning in their formative* years. But the production of younger smaller logs will mean the new Forest Corporation must soon invest in new sawmills. The existing mills are not geared to handling smaller sized logs efficiently.

For some time NZFP has operated a 30 year felling programme. It has also carefully managed its logging to ensure that every year it cuts less than the annual growth of its forest so the volume of wood growing in the forest is never less at the end of a year than at the beginning.

NZFP foresters estimate the trees are *increasing* in weight by approximately 7,500 tonnes per day. This is the equivalent of an annual growth of about 2.8m cubic metres.

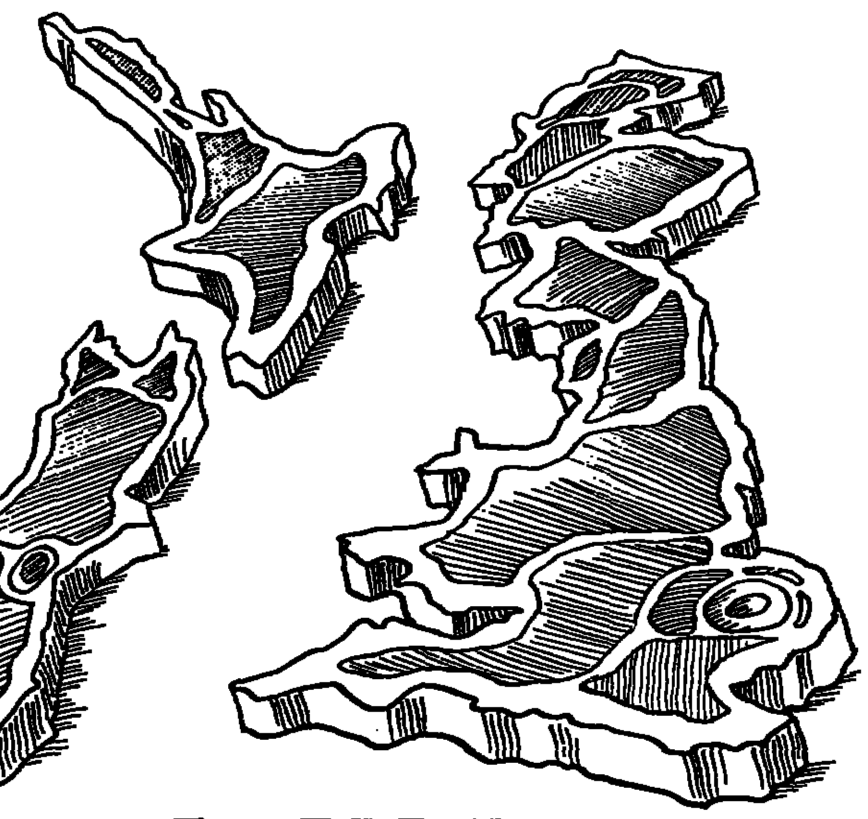
The intense planting programmes carried out since the 1950s means that NZ's supply problems will soon be a thing of the past.

Production of NZ timber which last year was 10m cubic metres will double within the next five years. By the year 2001 it will have increased to 24m cubic metres. This means the new corporation—along with the other big forestry companies will have to find new customers for the extra production.

An increased world demand for more paper and packaging materials is expected to absorb some of this. At the same time some other countries which started *large-scale* forest planting after World War II will also *be looking to dispose of its* mature timber. This is the environment in which the new Forestry Corporation has to compete. Those in charge are determined it will do so, effectively and profitably.

"There is a new positive attitude from every single person *involved. The energy that* formerly went in to fighting bureaucracy is now going into performing efficiently," says Mr Kirkland. With its new emphasis on efficiency and profitability, and the realisation that profit is an essential ingredient of a successful operation, along with a modern marketing approach, the new NZ Forest Corporation is all set to make its mark in NZ's forestry development.

Dal Hayward



Horticulture

Research bears juicy fruits

A FEW years ago a small apple tree, grown from a wind blown seed sprang up on the edge of a commercial orchard near Nelson in New Zealand's major apple growing area.

The tree did not interfere with orchard operations so owner, John Williams, left it to develop and bear fruit.

He was impressed by the almost perfect shape of the apples it produced and he was even more impressed by the sweet juicy taste.

He carefully harvested the fruit, planted the seeds and with the help of NZ's horticultural research facilities and the apple and pear board, developed a new variety of apple.

Described by horticultural officials as a freak of nature this is now New Zealand's most valuable export apple, poised to have huge popular demand, especially in Europe.

Named the Braeburn it is already in big demand in Scandinavia where retailers and customers are happy to pay very high prices for it.

Because quantities are still limited it is still relatively unknown in other markets but this will quickly change.

This season NZ orchards are growing 50 per cent more Braeburns than last year, and production will rise rapidly. Nurseries are not able to produce enough young trees for all the orchardists wanting to plant the new type of apple which is unique to New Zealand.

Not only does the shape look attractive to customers, it has a sweet juicy flavour which appeals to the European taste.

Although the Braeburn originally grew by chance it is indicative of the efforts the NZ apple and pear industry makes to stay ahead of competitors in customer appeal.

It devotes much time and money to research, not only into new types of fruit, but to improved keeping qualities through temperature control and new cool store techniques, transport methods and packaging.

The apple and pear board claims NZ is seven or eight years ahead of other world producers in developing new varieties of fruit.

It has to keep ahead to overcome the particular problems, including its longer distance from markets, higher cost of production than most competitors, problems of access, overproduction in some countries which not only reduces the quality but also the price of fruit, and for the past ten years, much higher inflation than in any competitive country.

Another of the fruits—literally—of its research and crop development is the introduction this year of the red pear. When NZ Prime Minister David Lange was presented with one of the first of the deep wine coloured pears, he thought it was an artificial fruit. Assured it was genuine he took a very tentative bite then consumed the rest with obvious enjoyment.

The apple and pear board was established in 1948 to acquire and market all apples and pears grown in New Zealand—for both export and domestic consumption.

It is owned and controlled by growers themselves although, as a statutory body, it is finally responsible to the minister of agriculture.

Growers say it is the tight board control kept over quality, packing, transport, shipping, marketing, promotion and sales which makes NZ's pip-fruit industry successful in an intensely competitive world market. The board's sales this season will be NZ$550m with $300m coming from exports.

It will export 9.3m cartons during the current season—up from 8.75m cartons last year. Two thirds of the exports will go to Europe although—with an eye to creating markets for future expanded production—NZ salesmen are also active in many other countries.

Recent successes in China is one example of this policy of preparing for the future. Selling fresh fruit to China is fraught with problems—not the least of which is the lack of suitable cool storage space and foreign exchange.

Last season NZ became the only southern hemisphere country allowed to ship apples into China. It sold 35,000 cartons, mainly in southern areas close to sea ports and it hopes to send more this year during the off season when locally grown apples are not available.

Marketing emphasis is placed on the high quality of NZ fruit. Consumer checks have shown that, with Chinese parents only allowed one child, the health of that child is of prime concern to parents. Chinese mothers are prepared to pay for top quality food for their off spring and fruit is regarded as a healthy food.

New Zealand is fortunate that it does not have the fruit pests or diseases which are common in many other producing countries so NZ growers do not need to spray their crops with the chemicals needed to keep these pests at bay.

Plans to ship large quantities of Queensland tomatoes to NZ a few years ago brought an immediate outcry—from the public as well as growers alarmed that the tomatoes would also bring the Queensland fruit fly.

The arrival of this, or other pests such as the med fly would be a disaster for NZ fruit exports. New Zealand would lose its enviable reputation for being free of fruit fly and would certainly find it more difficult to sell its products in many markets.

Ever since the phenomenal success of the kiwi fruit which made millionaires out of some of the early participants and which is the best known NZ product in some countries, including Japan, there have been extensive efforts to find another fruit to repeat this success.

Horticulturists, however, say there won't be another kiwifruit "at least in our lifetime."

It was, they say, the fruit of the twentieth century. It was the first since the banana 100 years ago to have such an impact on world fruit tastes and consumption, and before the banana the nearest equivalent was Sir Walter Raleigh's potato.

However, although the goldrush type of boom has gone out of NZ's kiwifruit industry it has settled down to become a very important crop. Last year NZ shipped 28 million trays of kiwifruit around the world. This year it will export more than 40 million trays. They will earn between NZ$400m and NZ$500m.

Kiwifruit and apples which between them will earn $800m provide 80 per cent of NZ's horticultural exports.

Next year NZ will have about 60m trays of kiwifruit to sell and will meet much greater competition from other countries which have now developed their own kiwifruit orchards. Chile, Australia and South Africa will be exporting big crops of kiwifruit while California and Japan, both important markets for NZ, will be growing a large part of their own requirements.

The increased supply has meant that kiwifruit is no longer reaching only a luxury market.

The kiwifruit was a unique NZ horticultural success story and NZ is determined to maintain its leading place in world markets. Even million by 1990 it is estimated NZ kiwifruit production will still be half of the world's total.

Agriculture minister, Mr Colin Moyle has predicted NZ's horticultural exports will be worth more than $1bn by 1990. There seems every likelihood this will be achieved, despite the problems NZ has building up substantial markets for many of its perishable horticultural products.

The distance these have to travel will also be a disadvantage. Despite this, there are now 45 different horticultural products earning more than NZ$1m—a worthwhile contribution of NZ billion's export income.

A decade or so ago exports of NZ flowers were worth about $20,000. This year NZ flower sales around the world will earn $15m—up from $10m last year.

NZ growers have an advantage in that they can supply out of season blooms, including orchids to Japan and roses to Canada.

Another NZ success story is the nashi pear, originally a native of Japan, this has flourished in NZ's climate. Last year growers produced 9,000 trays. This season they will pack 50,000.

For the UK, European and North American markets, the nashi is still largely unknown, although British consumers have rapidly taken to the fruit.

About 35 per cent of this year's exports will finish up in British fruit shops.

To introduce the big yellow pears NZ exporters are organising demonstrations and tastings in the large supermarkets and fruit stores in Europe and the US.

They believe this is the fastest and best value-for-money way of getting the fruit known to consumers. During the past 5 to 10 years there has been a much greater awareness of the potential of horticulture as an export industry in New Zealand. The kiwi fruit success focused the spotlight on horticulture but since then practically every fruit, berry and vegetable has been considered as a possible export product.

Most—apart from the handful of major crops—are sent to overseas markets in relatively small shipments.

Dai Hayward

Champagne being bottled at the Montana Wines plant at Glen Innes, Auckland

Wine

Winning ways attest to quality

MIJO BRAJKOVICH, arrived in New Zealand from his native Yugoslavia in 1903 to dig for kauri gum—the much prized amber-like resin of the kauri trees which had fallen to earth over hundreds of years. A few years later he went home to his native village to find a bride and after his elder children were born returned to New Zealand, bought one acre of land on which he planted grapes and proceeded to make wine.

Today wines from that San Marino Winery, now covering 80 acres, and run by son Mate, are available in exclusive Paris restaurants, through English and Scottish wine agents and hold a respected place among New Zealand wines.

The winery is one of a score of medium-sized wine producers established by Dalmatian immigrants 50 or 80 years ago and which are still run by their descendants. Dalmatian names such as Brajkovich are common in the New Zealand wine industry.

Grandson Michael, who graduated with honours from Roseworthy College, Australia, and who is regarded as an internationally skilled wine-maker, has been invited to spend a season in Portugal to help improve the quality of some of the Portuguese vintage.

This reflects the development and high quality of New Zealand wines today, which have come a long way since the 1950s when they were the butt of British TV satirical programmes.

The New Zealand wine industry is now poised for a major advance into the British market. Buoyed by the invitation for New Zealand to be the featured national at the 1988 London Wine Trade Fair, New Zealand wine makers will send close to 1m litres of wine to Britain next year. This is a 50 per cent jump over the 300,000 litres, valued at NZ$ 1.5m, sold to British wine drinkers in the current year, ending June 30.

Wine-making arrived in New Zealand along with the very first missionaries in the 1830s, but it has taken almost 140 years to fulfil a phophecy made by the famous French explorer navigator, Dumont D'Urville, who wrote: "I was given a light white wine, very sparkling and delicious. I have no doubt that vines will be planted extensively all over these islands and very soon New Zealand wine may be exported to English possessions."

However, New Zealanders were not — and, by and large, are still not wine-drinkers — they prefer beer.

Twenty five years ago they drank only two litres of wine per head. Today, they consume 15 litres per capita. The experience of New Zealand soldiers during World War Two and the increased travel opportunities for thousands of New Zealanders in recent years, broadened their knowledge and appreciation of good wine.

Along with this changing pattern and taste has come a demand for better quality wines.

New Zealand already possessed some of the main requirements for good wine growing — the right climate, suitable soils and the necessary sunshine.

In wine production terms, New Zealand is rated as a cool climate. Its wines have the typical cool climate characteristics of lightness of style and lower alcohol but with greater intensity of fruit and variety.

The southern latitudes of New Zealand correspond to the European region, which stretches from the Rhine to Spain, but New Zealand vineyards are always close to the sea and benefit from the cooling breeze.

French grape varieties introduced into New Zealand, particularly the Sauvignon Blanc and Chardonnay, not only flourish but the fruit produces a flavour seldom achieved in longer-established countries.

The quality of New Zealand wines has steadily improved over the past 15 years and international wine experts compare them favourably — and in many cases — better than French or Australian wines. New Zealand producers began applying German wine-making techniques. When the use of stainless steel fermentation tanks was introduced they immediately had an advantage with the long-term experience and technical expertise available in the New Zealand dairy industry which had been using stainless steel tanks for years. This also meant stainless steel tanks are cheaper in New Zealand.

Stainless steel tanks are said to be ideal for the fermentation process because the contents cannot absorb anything from the metal to affect the flavour, colour or taste of the wine.

San Marino, which still picks its grapes by hand because it believes that "something of the quality is lost by mechanical picking", installed its first stainless steel fermentation tank in 1954.

It does however import 225-litre, once-used wooden barrels from France in order to "age" its vintage.

In 1985, the New Zealand wine industry following a bountiful harvest faced something of a crisis with over production of cheaper quality wines flooding the market. The resulting price war created financial problems for wine makers but did help increase the popularity of wine drinking.

To help the industry the Government paid growers £6,175 for every hectare of living vines pulled out of the ground. To earn the subsidy growers had to pull a minimum of 1,200 hectares.

The "vine pull" scheme as it became known temporarily slowed down the increase in production from an expected 86,000 tonnes of grapes to 61,000 tonnes. Wine production was cut back to 47m litres.

More important, however, was the opportunity it gave growers to pull out their poorer quality grapes. The total vineyard area was reduced from over 6,000 hectares to 4,500 hectares but the grapes that are left are now the best quality and best producing varieties. As wineries now expand they are planting better quality varieties.

For many years, wine-growing was concentrated in the areas where the missionaries first settled—north of Auckland and around Hawkes Bay and east coast areas in the North Island. Because grapes had always been grown there, it was generally accepted that these were the best growing areas.

In 1973, Montana, New Zealand's largest wine producer needed to expand its vineyards. After extensive oil and other tests throughout New Zealand it planted large vineyards in Marlborough in the northern tip of the South Island. This has now become Montana's largest vineyard and this year will process 14,000 tonnes of grapes in six enormous half million litre stainless steel tanks.

Wines from Marlborough have quickly established a high international reputation, especially in Australia and Montana, which has four large wineries throughout New Zealand and produces about 40 per cent of New Zealand's production, has been followed to Marlborough by other growers.

These include Corbans, another large scale producer, and a French grower who came to New Zealand to produce a New Zealand champagne-type of wine. Daniel le Brun has established two very large underground storage caves under the local hills. These are New Zealand's only true "champagne" cellars, reproducing the conditions of the great underground caverns of the Champagne region of France.

The Le Brun family have been making champagne since 1648. Daniel le Brun selected New Zealand and then Marlborough to expand outside of France after dismissing California and Australia.

Production so far is modest, but Australian buyers have been clamouring for a few thousand cases of the Le Brun product. Daniel le Brun is adamant that only the French region Champagne can produce Champagne and he labels his produce "Methode Champenoise."

Ask the New Zealand Wine Institute to compare New Zealand wines with those of other wine-producing areas and they will quote the results of a test carried out by the famous British wine magazine, "Decanter." Thirty Sauvignon Blanc wines—six each from France, South Africa and the US, five from New Zealand, four Australian and three from Chile were lined up for a tasting and test by a panel of British wine experts.

Dai Hayward